Citadel Group of Funds

Citadel Diversified Investment Trust

Citadel S-1 Income Trust Fund

Citadel HYTES Fund

Citadel SMaRT Fund

MYDAS Fund

Citadel Multi-Sector Income Fund

2002 ANNUAL REPORT

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Message to Unitholders

2002 was a very busy year for us at Citadel, resulting in the addition of many new unitholders into our family of income funds. We started the year off with a very successful offering, adding the MYDAS Fund to the Citadel Group of Funds and followed that with both an exchange offering and a rights offering for Citadel Diversified Investment Trust. Finally at year end we launched the very successful Citadel Multi-Sector Income Fund. I would like to welcome all unitholders who joined our group through these offerings, and would like to thank all of our unitholders for their continued support and confidence.

The Citadel Group of Funds now consists of the following income funds:

Citadel Diversified Investment Trust, an income fund designed to strike a balance between delivering income and preserving capital. Citadel Diversified invests its funds in the income fund sector with minimal restrictions on the relative weightings it can have in any sector of the market. Citadel Diversified has no targeted distribution rate, but pays monthly distributions based on amounts it receives from its underlying investments.

Citadel S-1 Income Trust Fund, an income fund designed to maintain a very structured portfolio of investments in a broad range of income yielding equity and debt securities that results in the Fund being rated SR-1 by Standard & Poors. Citadel S-1 has a targeted monthly distribution rate of $0.208 per unit.

Citadel HYTES Fund, an income fund designed to achieve a high tax deferred yield by maintaining a fully invested and leveraged portfolio of investments in various sectors within the income fund and high yield debt markets. Citadel HYTES has a targeted monthly distribution of $0.26 per unit and maintains leverage of approximately 10% of total assets.

Citadel SMaRT Fund, an income fund designed to provide income derived solely from the volatile royalty trust sector of the income fund market while also offering partial capital protection. Through the use of forward agreements, Citadel SMaRT's structure ensures that on termination of the fund on December 31, 2013, the value of the Fund's units will be a minimum of $17.50 per unit plus the value of its royalty trust portfolio. Citadel SMaRT has a targeted monthly distribution of $0.208 per unit.

MYDAS Fund, an income fund designed to maximize total unitholder return by rotating its portfolio of investments in the income fund and high yield debt sectors of the market between the various subsectors as market conditions warrant. MYDAS, while rotating investments, must at all times comply with various minimum and maximum sector weightings. MYDAS has a targeted monthly distribution of $0.1875 per trust unit.

Citadel Multi-Sector Income Fund, the newest fund in the group, closed its initial public offering on February 14, 2003. Citadel Multi-Sector is an income fund designed to maximize total unitholder return by rotating its portfolio of investments in the income fund and high yield debt sectors of the market between the various subsectors as market conditions warrant, with an initial focus on the ongoing business trust sector of the market. Citadel Multi-Sector, while rotating investments, must at all times comply with various minimum and maximum sector weightings. Citadel Multi-Sector has a targeted monthly distribution of $0.0833 per trust unit.

Citadel Diversified Investment Trust	CTD.un
Citadel S-1 Income Trust Fund	SDL.un
Citadel HYTES Fund	CHF.un
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Corporate Governance

Each of the funds within the Citadel Group of Funds maintains the highest level of corporate governance. We have structured our funds to ensure that our Board of Directors consists of a majority of independent directors, none of whom have any economic interest in either our Investment Manager or Administrator. In addition, each Board has an audit committee consisting solely of independent directors.

At Citadel, we take great pride in the knowledge that we, together with our Investment Manager, have always acted in the best interest of our unitholders. One example of this is the fact that the Administrator and Investment Manager contributed $2.8 million towards the total expenses of the recent Citadel Diversified exchange offering to ensure that it was at least $0.05 per unit accretive to net asset value. To my knowledge, no other fund manager has gone to such great lengths to ensure their unitholders come first.

In 2003, we at Citadel will continue our endeavors to deliver outstanding performance and returns from all of our funds while maintaining the highest levels of corporate governance and integrity which you have come to expect from us.

Year in Review

2002 was a year in which the overall equity markets performed poorly, but by comparison all of the Citadel Group's funds performed well. Our weakest performer was Citadel Diversified which, on a total unitholder return basis, only broke even after delivering a 35.7% total unitholder return in 2001. This underperformance was largely a result of our decision to raise additional cash through a rights offering in November and the effect this had on Diversified's unit price. Those unitholders who participated in the rights offering however have realized a 7.7% total unitholder return on that investment as of the date of this report.

Citadel S-1 posted a total unitholder return of 6.0% compared to 21.4% in 2001, reflecting the very conservative nature of our only SR-1 rated income fund. Citadel HYTES continued its record of strong performance by generating a total unitholder return in 2002 of 11.6%, somewhat lower than its 14.8% total unitholder return for 2001. Citadel SMaRT Fund, benefiting from sharply higher oil and gas prices, completed its first full year of operations by posting a total unitholder return of 24.3%. The MYDAS Fund commenced operations on February 14, 2002, posting a 4.1% total unitholder return for the year, which we felt was acceptable for its first partial year of operation given its large cash position at the beginning of the year and the general weakness experienced in the trust sector towards the end of the year. Citadel Multi-Sector Income Fund commenced operations on February 14, 2003 and is currently in the process of investing its funds into the income fund market.

If you are an investor in one of the Citadel Group of Funds and want further information on any of the other funds in the group, or have any suggestions as to how we can help serve our unitholders better, please visit our website at www.citadelfunds.com or call us at (403) 261-9674.

Please take the time to review this report in its entirety. We encourage you to discuss any questions you may have with your investment advisor or to call us directly. Again I would like to thank you for your continued support and confidence.

James T. Bruvall
Chief Executive Officer
April 2, 2003

Report of the Investment Manager

Market Overview

The Bank of Canada increased the bank rate by 75 basis points in three 25 basis points moves between March and July 2002, but refrained from further increases for the rest of the year. As a result, the bank rate of 3% at the end of 2002 was still only one half the 6% bank rate at the end of 2000. The low short term rates continued to promote a strong appetite for yield product in 2002. This was exemplified by the positive total returns for 2002 of the 10 year Government of Canada bond of 10.8%, the 5 year Government of Canada bond of 7.7% and the BMO Nesbitt Burns Trust Trust Index of 14.1% (S&P/TSX Income Trust Index 13.0%). These income vehicles were seen as a safe haven for equity market refugees as the S&P/TSX Stock Index had a negative total return for the year of 12.4%. This was the second successive year of negative returns for the Canadian equity markets.

In our 2001 Annual Report, we expressed concern over the full pipeline of initial public offerings ("IPOs") creating an oversupply of product. The reluctance shown by some institutions to buy new issues and the above mentioned increase in rates during the second quarter of 2002 helped to slow the number of offerings coming to market during the late spring and into summer. However, by the middle of the fourth quarter the offering pipeline again filled to overcapacity with estimates of $4 to $5 billion of new product coming to market over a six week time span. This was clearly too much for what was then a $45 billion market. Once again institutional investors expressed their reluctance to buy unless the issues came at very favorable pricing, with the result that some issues were pulled and others were delayed until 2003. The weight of the new offerings coupled with a rally in the general market produced a negative total return for the S&P/TSX Income Trust Index of 4.1% during November, the worst performance for trusts since early 2000. For the fourth quarter of 2002, the S&P/TSX Income Trust Index and the BMO Nesbitt Burns Trust Index had negative total returns of 0.4% and 0.2% respectively, compared with the positive return of 7.5% for the S&P/TSX Stock Index.

Oil & Gas Royalty Trusts (18 trusts with a market value of $12.5 billion at December 31, 2002)

The supply and demand factors for oil became distorted during the last half of the year due to the developing threat of conflict in Iraq and the general strike in Venezuela that reduced that country's production by about 2 million barrels per day. Year over year, the price of West Texas Intermediate crude oil spot price increased 51% to US $31.23 per barrel at the end of 2002.

Natural gas prices were affected by different factors, but the result was similar. Last spring, natural gas inventories were at high levels exiting the winter heating season. Inventories were filled during the summer months and prices declined despite lower North American production. Higher oil prices helped to increase demand for natural gas due to favorable burner tip price comparisons as the new heating season approached. Lower production coupled with the improved general demand resulted in larger than expected withdrawals from inventories as the heating season began in November. The result was the Henry Hub spot price for natural gas appreciated to US $4.585 per mmbtu by December 31, 2002, a 71.7% increase for the year. With Canada being an incremental supplier to the US market, the AECO spot price for natural gas increased 121% during the year to $5.70 per mcf at December 31, 2002.

The rising commodity prices at year end helped the oil and gas trusts end the year in an upbeat mode with increasing cash flows helping to improve balance sheets and in some cases increase distributions. For the year the BMO Nesbitt Burns Royalty Trust Index had positive total return of 23.8% (S&P/TSX Energy Trust Index 19.1%). Several trusts exceeded this return, with Advantage leading the way with a return of 81.4%, followed by Provident (56.0%), Ultima (44.0%) and Acclaim (40.5%). In all four cases increased distributions helped their payouts account for over 21 percentage points of the total return figure.

Real Estate Investment Trusts ("Reits") (19 trusts with a market value of $9.3 billion at December 31, 2002)

Similar to the previous year, Reits continued to lower the percentage of distributable income that was paid out to their unitholders. This conservation of cash enabled Reits to continue the active management of their portfolios in acquiring properties to add to their product niche or to expand geographically and sell non-core holdings as attractive opportunities arose. The increase in short term interest rates and rising vacancy rates held back the performance of Reits. For the year, the BMO Nesbitt Burns Reit Index had a positive total return of 7.6% which indicates that for many Reits the only return was the distribution. The best performing Reit was Northern Property with a total return of 25.8% since its initial public offering in June. Other Reits with double digit total returns were CHIP (16.2%), Morguard (14.6%), CReit (12.7%), RioCan (11.9%), Royal Host (10.3%) and Summit (10.3%).

Income Funds (63 funds with a market value of $22.1 billion at December 31, 2002)

This sector of the trust market had the largest growth during 2002 accounting for 87% of the value of the IPOs (36 issues, $5.3 billion) and 41% of the value of follow-on financing (53 issues, $4.4 billion) from existing trusts. In addition to IPOs, there were several listed corporations that converted into trusts to take advantage of the superior valuation matrix available. For the year, the BMO Nesbitt Burns Trust Index had a positive total return of 14.1%. With the advent of so many new trusts, many advocating the potential for double digit growth, most of the low growth established funds languished in the market. With the exception of Great Lakes Hydro (22.5% total return), the rest of the power, pipeline and infrastructure trusts underperformed the BMO Nesbitt Burns Income Trust Index. The trusts which demonstrated some growth were also the top performers. Energy Savings led the way with a total return of 55.8%, followed by North West (37.8%), Davis + Henderson (33.3%), Chemtrade (32.7%), Superior Plus (27.9%) and Connors Brothers (24.7%). With few exceptions, initial public offerings produced returns which matched or exceeded the BMO Nesbitt Burns Trust Index. Of these IPOs, Menu Foods posted the best performance with a 44.2% total return.

Citadel Funds Overview

In general, we maintained a somewhat higher level of cash in portfolios in 2002 compared to prior periods until we were certain that portfolio investments produced more than sufficient income to meet each Fund's monthly distributions. This conservative stance was taken as valuations in the income fund world started to reach higher levels, and is a measure of our desire to not just produce yield for unitholders, but also to protect capital. This approach may lead to poorer total returns over periods of sharply higher valuation, but should lead to superior returns when valuations decline. We are mindful that the majority of the Funds' unitholders are risk adverse investors, and we respect this when making our investment decisions. We believe that over the longer term, our approach will lead to greater overall returns and less volatility in unit valuations.

As 2002 progressed, we reduced our holdings in Reits, power and utility trusts and increased weightings in business trusts. We believe that the present economic environment with increasing short term interest rates will be more favorable for investments in business trusts.

Citadel Diversified Investment Trust

It was a busy year for Citadel Diversified with an exchange offer in the second quarter and a rights offering in the fourth quarter. The simple value added return of the change in net asset value plus distributions was 11.6% for the year with no obvious positive value attributed to the rights issue. For those unitholders who participated by exercising their rights, the value added on their new units was 9.0% to year end. This Fund was able to distribute $1.00 per unit last year despite the maintenance of a relatively high cash position totaling 20% of Fund's assets at year end.

Citadel S-1 Income Trust

As mentioned above, most of the conservative infrastructure trusts underperformed the returns shown by the Income Trust Index which had a significant effect on the performance of S-1. As well, the 8.9% return from the Canadian Originated Preferred Securities, which represented 30% of the portfolio diluted the above average returns of income funds like Superior Plus (27.9%) and Rogers Sugar (20.0%). For 2002, the change in net asset value plus distributions generated a value added return of 8.4% for the S-1 portfolio.

In 2002, Standard & Poors ("S&P") developed new portfolio criteria to obtain an SR-1 rating. The new criteria provide the portfolio manager with more freedom in portfolio construction and less absolute requirement for high yield debt. We regard this change as being attractive as it will provide the prospects for income growth with some capital appreciation around the core of the stable conservative trusts.

Citadel HYTES Fund

The first full year of operation for HYTES produced a value added return of 21.5%. The challenge of maintaining above average returns while providing a stable high yield was achieved. The most significant development within the Fund during 2002 was the sale of a large proportion of its Reit investments at substantial profits and the redeployment of those funds into business trusts. This redeployment increased income in the Fund and generated capital growth. As the assets of the Fund have grown through capital gains, it has become easier for us to meet and exceed the income required to meet the Fund's targeted distributions.

Citadel SMaRT Fund

Volatile oil and gas prices had their effect on the prices and distributions of the holdings in this Fund's royalty trust portfolio during 2002. For the year, SMaRT had a value added return of 18.4%, while the BMO Nesbitt Burns Royalty Trust Index provided a 23.8% return. This therefore implies that the fixed portfolio for the capital guarantee had a small negative effect on the fund as a whole. Our management of this portfolio was made unreasonably difficult towards the end of last year by the unforseen amount of redemption notices that were to be received in late December from unitholders. To provide cash to meet redemptions, we sold off investments, calculating the amount to be sold by information we were provided with by certain large holders. The anticipated market illiquidity over the holiday period did not provide us with the luxury of waiting. Redemption notices received turned out to be substantially less than the information provided, and the Fund ended the year with a greater cash position than we would have desired in what was then a strong oil and gas market. We are pleased that unitholders at a meeting held in early February of this year rectified this problem by agreeing to extend the notice period for redemptions and change the redemption dates removing them from the year end holiday period.

MYDAS Fund

The value added return for MYDAS since its formation February 14, 2002 was 11.2%. All targeted distributions were made during the year despite a large ongoing cash position that was 16% of portfolio assets at year end. Notwithstanding the large cash position and based upon on our projections, income from investments currently held in the Fund should comfortably exceed distribution requirements. Portfolio investments at year end were heavily weighted towards business trusts and underweighted in the Reit and royalty trust areas.

Citadel Multi-Sector Fund

On February 14, 2003 Multi-Sector Fund completed its initial public offering. The process of portfolio construction is well under way with a view of providing unitholders with a 10% yield as the base for above average returns. Currently, over 55% of Fund assets have been invested and these are initially weighted towards business trusts as was envisioned during the marketing of the Fund. Income from investments is ahead of prior expectations and we expect to more than achieve total income sufficient to pay the Fund's targeted 10% yield.

Outlook

The outlook for income funds for the present year continues to be positive. We believe that Canadian short term interest rates will increase this year by up to 1%, but that this will be insufficient to knock income funds off their pedestal. Inflationary pressure looks threatening at the moment, but we believe that it will become more tempered as the year progresses. While the Canadian economy will continue to show growth this year, this will be constrained by the ongoing weaker U.S. economy. We remain wary of an uncontrolled supply of new offerings again hitting the market as occurred last November. This is the most immediate threat that we see in an otherwise rosy outlook for the sector this year.

M. Paul Bloom

M. Paul Bloom
President, Bloom Investment Counsel Inc.
April 2, 2003

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Administrators

Each Fund within the Citadel Group of Funds shares the same management team. Each of the Funds subsequent to Citadel Diversified have agreed, in exchange for the right to use the "Citadel" name and the right to use the infrastructure created by Citadel Diversified, to share administrative costs of the Funds. Citadel Diversified Management Ltd. ("CDML") is the administrator of Citadel Diversified Investment Trust, Citadel S1 Management Ltd. ("CSML") is the administrator of Citadel S-1 Income Trust Fund, Citadel TEF Management Ltd. ("CTEF") is the administrator of Citadel HYTES Fund, Citadel CPRT Management Ltd. ("CPRT") is the administrator of Citadel SMaRT Fund, MYDAS Management Inc. ("MMI") is the administrator of MYDAS Fund, and Citadel Multi-Sector Management Inc. ("CMSI") is the administrator of Citadel Multi-Sector Income Fund. CDML, CSML, CTEF, CPRT, MMI, and CMSI provide administrative services to their respective Funds and carry out all of the day to day operations of each Fund, other than investment advisory and portfolio management activities. The directors and officers of CDML, CSML, CTEF, CPRT, MMI, and CMSI are as follows:

Harold P. Milavsky
Chairman of the Board
Calgary

Paul L. Waitzer
Director
Toronto

Doug D. Baldwin
Director
Calgary

Kent J. MacIntyre
Director
Calgary

James T. Bruvall
Director and
Chief Executive Officer
Calgary

Darren K. Duncan
Chief Financial Officer
Calgary

Investment Manager

Bloom Investment Counsel, Inc. ("Bloom") is the investment advisor and portfolio manager for each Fund within the Citadel Group of Funds. Bloom is responsible for implementing each Fund's investment strategy and determines the ongoing commodity, industry and geographic weighting of securities in each Fund's portfolio. In accordance with Bloom's active management philosophy, Bloom continually reviews each Fund's portfolio to ensure that the portfolio meets the investment guidelines of the Fund, while balancing the sometimes divergent goals of delivering income and protecting capital.

Bloom Investment Counsel, Inc. commenced business in 1985 and specializes in the management of segregated investment portfolios for wealthy individuals, their retirement plans, corporations and trusts.

The principal officers and consultants of Bloom which provide investment advisory, research and portfolio management services to each Fund are as follows:

M. Paul Bloom
President
Toronto

Maurice G. Corbett
Vice-President
Toronto

Sara Bloom
Vice-President
Toronto

C. Barbara Smith
Vice-President
Toronto

Citadel Diversified Investment Trust

Citadel Diversified Investment Trust (the "Fund" or "Citadel Diversified") is a closed-end investment trust listed on the Toronto Stock Exchange under the symbol "CTD.un". The Fund has a termination date of December 31, 2012 or such earlier or later date as the unitholders may determine in accordance with the Declaration of Trust.

Citadel Diversified's investment objectives are to provide its unitholders with a high level of monthly distributions and to maximize the net asset value of the Fund over its life. In order to achieve these objectives, the Fund's investment manager actively manages a diversified portfolio of oil and gas royalty trusts, real estate investment trusts, income funds and qualified limited partnerships.

Pursuant to the Fund's distribution policy, Citadel Diversified pays monthly cash distributions equal to the cash distributions received in the prior month less estimated expenses of the Fund. Citadel Diversified paid total monthly distributions of $1.00 per unit during 2002 compared to $1.135 per unit during 2001. Weaker distributions from the royalty trusts in 2002 were the main reason for the reduction in distributions relative to 2001. As a result of the Fund realizing substantial capital gains of $9.2 million in 2002, the Fund distributed $3.0 million of those capital gains to unitholders to supplement its regular distributions, thus increasing the capital gains component of its distributions for tax purposes. For 2002, 20.3% of the distribution was other taxable income, 4.1% was dividend income, 65.2% was capital gains and 10.4% was return of capital. From the Fund's inception in September 1997 to December 2002, cash distributions of $4.902 per unit have been paid to unitholders with an average tax deferral of 53.7%.

Investment Highlights	2002				2001
	Q4	Q3	Q2	Q1	Q4
Net Asset Value per Unit [1]	$ 9.61	$ 10.28	$ 10.30	$ 10.08	$ 9.51
Market Price per Unit [1]	$ 9.20	$ 9.70	$ 9.90	$ 10.50	$ 10.20
Trading Premium (Discount)	(4.3%)	(5.6%)	(3.9%)	4.2%	7.3%
Quarterly Distributions per Unit	$ 0.320	$ 0.265	$ 0.224	$ 0.191	$ 0.263
Trailing Yield	10.9%	9.7%	9.7%	9.9%	11.1%
Market Capitalization ($ millions)	$ 213.9	$ 182.2	$ 183.8	$ 136.8	$ 132.9

(1) Net asset value and market price per unit are based on quarter end values.

Stock symbol	CTD.un (TSX)
2002 High/Low	$10.90 - $8.56
2002 Distribution	$1.00 per unit
2002 Tax Deferred %	10.4%
2002 Total Return	0.0%

Management's Discussion & Analysis

Financial Results

Citadel Diversified Investment Trust showed tremendous growth in 2002, as net assets increased from $123.9 million in 2001 to $223.5 million at the end of 2002. Most of this growth was attributable to the successful Exchange Offering and Rights Offering which closed in April and November, respectively. Total investment income increased from $14.8 million in 2001 to $16.0 million in 2002 with the increased asset base in 2002. Total administrative & investment manager fees and general & administrative costs for 2002 also increased with the larger fund size.

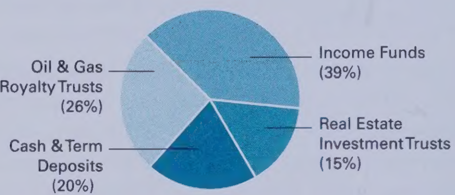
Net investment income improved from $12.6 million in 2001 to $12.7 million in 2002, while net investment income per unit declined from $1.02 per unit in 2001 to $0.73 per unit in 2002. This decline was primarily caused by reduced distributions from royalty trusts in 2002 and the Fund's investment manager's decision to hold higher than normal levels of cash throughout 2002. As a result of weaker net investment income per unit, the Fund supplemented its distributions with a portion of its realized capital gains which generated total distributions in 2002 of $1.00 per unit compared to $1.135 per unit in 2001.

Valuations in the overall trust sector peaked during the summer of 2002, which was evident in the Fund's net asset values per unit in the $10.20 to $10.30 range, before a pullback in the latter part of the year. The Fund's net asset value per unit increased from $9.51 at December 31, 2001 to $9.61 at December 31, 2002. Despite its strengthening net asset value, Citadel Diversified experienced market price weakness, falling from $10.20 per unit at December 31, 2001 to $9.20 per unit at December 31, 2002. This decline is partly attributable to the successful, yet dilutive effect of the November 2002 Rights Offering, which put downward pressure on the unit price towards year end. As a result, the Fund generated a break even total return in 2002 versus 35.7% in 2001. Even with the soft performance in 2002, the Fund has been able to generate an annualized compound rate of return of 11.0% per year since the Fund's inception in September of 1997. By comparison, the S&P/TSX composite index generated a negative 12.4% total return in 2002 and an annualized compound rate of return of 0.8% in the five plus years since September 1997. The BMO Nesbitt Burns composite trust index generated a 14.1% total return in 2002 and an annualized compound rate of return of 10.0% since Citadel Diversified's inception.

CTD.un

In order to maximize value and preserve capital in 2002, the Fund reduced its weighting in Reits and certain income funds as they reached relative highs. These dispositions generated significant realized capital gains of $9.2 million and pushed cash reserves to 20% in 2002 compared to 6% in 2001. As at December 31, 2002, the Fund's portfolio based on market values is shown in the chart below.

Fund Portfolio



Trading Premium (Discount) to Net Asset Value

During 2002, the Fund's market price per unit came under pressure, as its historical trading premium to net asset value turned into a discount in the 2nd Quarter of the year. The announcement of the Rights Offering in October 2002 also brought downward pressure on the unit price. As a result, the Fund was required to repurchase 234,807 units under its mandatory repurchase program in the 4th Quarter, bringing total repurchases for the year to 240,907 units (2001 - no units). Under the Fund's mandatory repurchase program, the Fund is obligated to repurchase units offered for sale at a discount to net asset value of greater than 5%.

During 2002, the units traded at an average discount to net asset value of 0.9% compared to a premium of 2.8% in 2001. At December 31, 2002 Citadel Diversified's net asset value and market price were $9.61 per unit and $9.20 per unit respectively, a 4.3% discount to net asset value.

Exchange Offer

On March 14, 2002, Citadel Diversified announced an Exchange Offer whereby it offered to issue its units in exchange for units and/or convertible debentures of 65 income funds, royalty trusts, real estate investment trusts and limited partnerships. Upon closing on April 29, 2002, all units and convertible debentures tendered were accepted by the Fund, resulting in the issuance of 5,532,613 Citadel units. In order to ensure that the Exchange Offer resulted in an increase in Citadel Diversified's net asset value of $0.05 per unit, the Administrator and Investment Manager agreed to jointly pay $2.8 million of the total expenses of the Exchange Offer of $3.0 million.

Rights Offering

On November 7, 2002, Citadel Diversified completed a rights offering whereby unitholders received the right to purchase one additional trust unit for $9.00 for every four trust units owned. On closing of the offering, all rights were exercised for net proceeds of $41.6 million on the issuance of 4,696,152 trust units. Unitholders who participated in the offering enjoyed a 9.0% total return on their investment as at year end.

Term of the Fund

The Board of Directors of CDML called a Special Meeting of unitholders on August 26, 2002 to consider, and if thought fit, approve the extension of the term of the Fund and the initial term of the Administrative Services Agreement and Investment Management Agreement by an additional five years to December 31, 2012. Unitholders voted in favor of the term extension.

Risk Assessment

There are a number of risks associated with the investment business. The principal risks include, but are not limited to, market and income risk. Market risk is the exposure to market price changes in the securities held within the portfolio which have a direct effect on the net asset value of the Fund. Income risk arises from a number of factors related to the operational performance of the issuers of the securities held in the Fund's portfolio. These risks include commodity prices and interest rates which may affect the issuers' income and thus reduce distribution to unitholders. Diversification and active management by the Fund's investment manager of the securities held in the portfolio may reduce these risks.

Outlook for 2003

With the economic forecast for Canada expected to be one of the strongest in the G7, the outlook for many income funds looks very positive. However, given current inflationary pressures, further interest rate increases are anticipated in 2003 and this may soften the positive economic outlook. Citadel Diversified has repositioned its portfolio by overweighting certain business trusts in order to mitigate any inflationary impact. Also the Fund continues to maintain a high cash position as a capital preservation measure in case of any pullback in the market.

Based upon the Fund's current portfolio and analysts' estimates of distributions from the portfolio, Citadel Diversified's fiscal 2003 distributions are estimated to be in the $0.90 - $1.00 range per unit, which based upon the year end closing price of $9.20 per unit represents an annual yield of approximately 10%.

Management's Responsibility Statement

The financial statements of Citadel Diversified Investment Trust have been prepared by Citadel Diversified Management Ltd. ("CDML") and approved by the Board of Directors of CDML. CDML is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

CDML maintains appropriate procedures to ensure that relevant and reliable financial information is produced. These statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgements. The significant accounting policies applicable to the Fund are described in Note 2 to the financial statements.

The Board of Directors of CDML is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Board carries out this responsibility through the Audit Committee, which is comprised of the non-executive directors of the Board.

CDML, with the approval of its Board of Directors on behalf of the unitholders, has appointed the external audit firm of PricewaterhouseCoopers LLP. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to unitholders their opinion on the financial statements. The auditors have full and unrestricted access to the Audit Committee to discuss their findings.

James T. Bruvall
Chief Executive Officer
Citadel Diversified Management Ltd.
April 2, 2003

Darren K. Duncan
Chief Financial Officer
Citadel Diversified Management Ltd.

Auditors' Report to Unitholders

To the Unitholders of Citadel Diversified Investment Trust

We have audited the statements of net assets and investments of Citadel Diversified Investment Trust as at December 31, 2002 and 2001 and the statements of operations and changes in net assets for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of management of the Fund's Administrator. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets and investments of the Fund as at December 31, 2002 and 2001 and the results of its operations and the changes in its net assets for the years ended December 31, 2002 and 2001 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta
April 2, 2003

Statement of Net Assets

As at December 31,	2002	2001
Assets		
Investments, at market (cost: 2002 - $163,369,635; 2001- $101,834,997)	$ 175,366,771	$ 114,451,515
Cash and term deposits	45,101,699	7,968,376
Prepaid expenses (note 4)	1,577,216	1,304,127
Distributions receivable	1,944,961	1,212,396
Note receivable (note 5)	2,194,245	–
	226,184,892	124,936,414
Liabilities		
Accounts payable and accrued liabilities (note 4)	362,023	49,406
Distributions payable	2,324,596	964,130
	2,686,619	1,013,536
Net Assets representing Unitholders' Equity	$ 223,498,273	$ 123,922,878
Units outstanding (note 3)	23,245,956	13,028,782
Net asset value per unit	$ 9.61	$ 9.51

see accompanying notes

Signed on behalf of the Board,

Harold P. Milavsky
Chairman of the Board

James T. Bruvall
Director and Chief Executive Officer

Statement of Operations

Year Ended December 31,	2002	2001
Income		
Interest, dividend and other income	$ 16,008,803	$ 14,751,721
	16,008,803	14,751,721
Expenses		
Administrative and investment manager fees (note 4)	2,728,581	1,678,782
General and administration costs	568,914	438,635
	3,297,495	2,117,417
Net investment income	12,711,308	12,634,304
Net realized gain on sale of investments (note 6)	9,204,941	2,426,701
Net change in unrealized gain (loss) on investments	(619,381)	12,267,625
Total results of operations	$ 21,296,868	$ 27,328,630
Results of operations per unit [1]		
Net investment income	$ 0.73	$ 1.02
Net realized gain on sale of investments	0.53	0.20
Net change in unrealized gain (loss) on investments	(0.04)	0.99
	$ 1.22	$ 2.21

[1] Based on the weighted average number of units outstanding

Statement of Changes in Net Assets

Year Ended December 31,	2002	2001
Net Assets - beginning of year	$ 123,922,878	$ 103,900,556
Operations:		
Net investment income	12,711,308	12,634,304
Net realized gain on sale of investments	9,204,941	2,426,701
Net change in unrealized gain (loss) on investments	(619,381)	12,267,625
	21,296,868	27,328,630
Unitholder Transactions:		
Proceeds from issuance of trust units, net	99,034,002	6,762,697
Repurchase of trust units	(2,298,330)	–
	96,735,672	6,762,697
Distributions to Unitholders (note 7)	(18,457,145)	(14,069,005)
Net Assets - end of year	$ 223,498,273	$ 123,922,878
Distributions per unit	$ 1.000	$ 1.135

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see accompanying notes

Statement of Investments

	As at December 31, 2002			As at December 31, 2001		
	Cost	Market	% of Market	Cost	Market	% of Market
Income Funds						
Algonquin Power Income Fund	$ 4,429,565	$ 4,455,115	100%	$ 1,244,263	$ 1,352,000	100%
Atlas Cold Storage Income Trust	5,023,600	5,252,625		5,958,957	6,583,600	
CCS Income Trust	2,330,693	2,409,120		–	–	
Boralex Power Income Fund	2,420,970	2,432,838		–	–	
Chemtrade Logistics Income Fund	2,822,932	3,288,600		1,500,000	1,762,500	
Clearwater Seafoods Income Fund	3,060,000	3,108,000		–	–	
Clean Power Income Fund	3,494,701	3,325,000		2,697,200	2,783,700	
Connors Brothers Income Fund	3,368,160	4,359,340		1,960,000	2,342,200	
Consumers' Water Heater Income Fund	523,200	551,775		–	–	
Davis + Henderson Income Fund	2,947,180	3,622,662		–	–	
Energy Savings Income Fund	2,076,230	5,444,420		2,520,000	4,649,400	
Fort Chicago Energy Partners L.P.	–	–		3,353,517	3,700,000	
Gateway Casinos Income Fund	3,211,000	3,347,500		–	–	
Halterm Income Fund	2,396,604	3,408,240		2,762,875	3,933,000	
Heating Oil Partners Income Fund	5,500,000	6,506,500		–	–	
Inter Pipeline Fund	3,082,999	2,792,407		–	–	
KCP Income Fund	2,557,000	2,902,195		–	–	
Koch Pipelines Canada L.P.	–	–		3,347,000	4,024,375	
Livingston International Income Fund	3,208,750	3,627,030		–	–	
Menu Foods Income Fund	726,564	990,510		–	–	
Norske Skog Canada Ltd.	1,065,000	1,218,892		1,065,000	1,520,820	
North West Company Fund	–	–		5,363,218	6,816,600	
Oceanex Income Fund	3,193,048	3,852,925		3,115,112	3,894,000	
Pembina Pipeline Income Fund	–	–		1,573,250	1,979,250	
PRT Forest Regeneration Income Fund	2,199,039	2,223,221		2,023,764	2,275,500	
Rogers Sugar Income Fund	4,740,818	3,078,500		4,143,702	2,264,380	
SFK Pulp Fund	4,353,000	4,440,060		–	–	
Superior Plus Income Fund	3,790,845	5,116,800		5,266,294	6,179,712	
TransForce Income Fund	4,264,700	3,839,520		–	–	
TimberWest Forest Corp.	–	–		2,261,250	3,575,000	
	76,786,598	85,593,795	38.8%	50,155,402	59,636,037	48.7%
Oil & Gas Royalty Trusts						
Acclaim Energy Trust	3,990,737	3,940,000		–	–	
APF Energy Trust	1,216,653	1,178,158		1,000,000	985,000	
ARC Energy Trust	6,444,925	8,330,000		4,014,582	6,050,000	
Advantage Energy Income Fund	2,971,300	2,990,000		–	–	
Enerplus Resources Fund	7,017,908	8,633,257		5,003,380	5,692,500	
NAL Oil and Gas Trust	3,472,265	3,529,350		2,979,272	3,113,110	
Pengrowth Energy Trust	3,377,490	3,409,273		–	–	
PrimeWest Energy Trust	4,882,405	4,454,830		1,401,683	1,272,000	
Provident Energy Trust	2,436,146	2,469,866				
Shiningbank Energy Income Fund	5,590,863	6,985,165		2,398,075	3,372,358	
Ultima Energy Trust	3,430,000	3,605,000		–	–	
Viking Energy Royalty Trust	6,264,380	6,609,609		3,437,120	3,531,000	
	51,095,072	56,134,508	25.4%	20,234,112	24,015,968	19.6%
Real Estate Investment Trusts						
Cdn Hotel Income Properties Reit	4,093,498	3,375,000		4,416,878	3,408,000	
Cominar Reit	1,632,899	1,985,756		2,945,775	3,600,000	
CPL Long Term Care Reit	–	–		3,827,550	3,124,000	
Firm Capital Mortgage Investment Trust	1,599,768	1,723,200		1,062,000	1,121,000	
H&R Reit	2,544,535	2,870,250		2,838,709	3,450,000	
IPC US Income Commercial Reit	3,260,655	3,044,145		2,000,000	2,076,000	
Morguard Reit	6,744,953	6,066,492		6,447,171	5,566,160	
O & Y Reit	682,368	648,798		–	–	
Retirement Residences Reit	5,144,173	4,586,400		1,480,000	1,805,600	
Riocan Reit	2,953,350	3,429,250		3,459,500	4,548,750	
Royal Host Reit	3,331,766	2,391,677		2,967,900	2,100,000	
TGS North American Reit	3,500,000	3,517,500		–	–	
	35,487,965	33,638,468	15.3%	31,445,483	30,799,510	25.2%
Investments	163,369,635	175,366,771	79.5%	101,834,997	114,451,515	93.5%
Cash and Term Deposits	45,101,699	45,101,699	20.5%	7,968,376	7,968,376	6.5%
Total	$ 208,471,334	$ 220,468,470	100.0%	$ 109,803,373	$ 122,419,891	100.0%

Notes to Financial Statements

December 31, 2002 and 2001

1. Structure of the Fund

Citadel Diversified Investment Trust (the "Fund" or "Citadel Diversified") is a closed-end investment trust established under the laws of Ontario pursuant to a Declaration of Trust dated as of July 11, 1997. The Fund commenced operations on September 16, 1997, when it completed an issue of 9,900,000 units at $10.00 per unit through an initial public offering. The term of the Fund continues until December 31, 2012.

2. Significant Accounting Policies

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period.

(a) Cash and cash equivalents

Cash consists of cash on hand and short term bankers' acceptances as held by the Fund's custodian.

(b) Valuation of investments

Investments are stated at market values based on closing market quotations. Average cost is used to compute realized and unrealized gains or losses on investments. Investment transactions are recorded on the trade date.

(c) Canadian income taxes

The Fund qualified as a unit trust within the meaning of the Income Tax Act (Canada). Provided the Fund distributes to its unitholders its net income for tax purposes, the Fund will not generally be liable for income tax under Part 1 of the Income Tax Act (Canada).

(d) Dividend, interest and other income

Dividend income is recorded on the ex-dividend date and interest and other income are recognized as earned.

3. Unitholders' Contribution

Authorized

The authorized capital of the Fund consists of an unlimited number of trust units which are transferable non-redeemable units of beneficial interest.

Outstanding	2002		2001	
	Number	Amount	Number	Amount
Trust units - beginning of year	13,028,782	$ 115,310,844	12,277,284	$ 108,548,147
Issued for cash:				
Exchange offer, net	5,532,613	55,171,357	–	–
Exercise of rights, net	4,696,152	41,635,987	–	–
Private placement, net			561,971	4,924,285
Issued for services (note 4)	229,316	2,226,658	189,527	1,838,412
Repurchase of trust units	(240,907)	(2,298,330)	–	–
Trust units - end of year	23,245,956	$ 212,046,516	13,028,782	$ 115,310,844

On April 29, 2002, Citadel Diversified completed an exchange offering. Under the terms of the exchange offering a total of 5,532,613 trust units were issued, resulting in net proceeds of $55.2 million. On November 7, 2002, Citadel Diversified completed a fully subscribed rights offering. Under the terms of the rights offering a total of 4,696,152 trust units were issued at an exercise price of $9.00 per unit, resulting in net proceeds of $41.6 million.

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The Fund has a mandatory repurchase program whereby units offered for sale at a discount to the Fund's net asset value per unit of greater than 5% are repurchased for cancellation. This program is subject to a maximum of 1.25% of the total number of units outstanding at the beginning of each calendar quarter. During 2002, 240,907 trust units were repurchased for cancellation (2001 - no units) under the program.

4. Administrative and Investment Manager Fees

Citadel Diversified Management Ltd. ("CDML") is the administrator of the Fund. Pursuant to the administrative services agreement, the administration and investment management fees are based upon 1.5% of the average weekly net asset value of the Fund, payable in units in advance and subject to annual adjustment. In 2002, 222,879 units (2001 - 183,085 units) were issued to CDML in respect of twelve

months of services ending September 16, 2003. During 2002, the Fund recorded an expense of $2,728,581 (2001 - $1,678,782) in respect of administration and investment management fees units earned during the year. The amounts issued to CDML in 2002 and 2001 are included in units issued for services as shown in note 3. Directors of CDML received a total of 6,437 units in 2002 (2001 - 6,442 units) as payment for their annual retainers. The administrative services agreement also provides for the reimbursement of certain expenses incurred by the administrator during the performance of its duties. As at December 31, 2002, included in accounts payable were amounts owed to CDML of $362,023 (2001 - $49,406).

5. Note Receivable

As part of the March 2002 Exchange Offer, the Administrator and Investment Manager agreed to jointly pay $2.8 million of the total expenses of the Exchange Offer of $3.0 million in order to ensure that Citadel Diversified's net asset value increased by no less than $0.05 per unit. The Fund issued a non-interest bearing note receivable with no specified term to the Administrator and Investment Manager which is to be repaid as management fees are earned. As at December 31, 2002, the remaining balance of the note receivable was $2,194,245.

6. Investments

The net realized gain on the sale of investments was determined as follows:

	2002	2001
Proceeds from the sale of securities	$ 69,952,978	$ 23,799,325
Less cost of securities sold:		
Investments at cost - beginning of year	101,834,997	96,292,143
Investments purchased during year	122,282,675	26,915,478
Investments at cost - end of year	(163,369,635)	(101,834,997)
Cost of investments disposed of during year	60,748,037	21,372,624
Net realized gain on sale of investments	$ 9,204,941	$ 2,426,701

7. Cash Distributions

The Fund distributes monthly cash distributions equal to the cash distributions received by the Fund less estimated expenses. In 2002, the Fund distributed a portion of its realized capital gains in order to supplement the distribution shortfall derived from net investment income.

	2002	2001
Net investment income for the year	$ 12,711,308	$ 12,634,304
Add fees paid by issuance of units	2,791,073	1,741,273
Shortfall (surplus) of cash for distribution in year	2,954,764	(306,572)
Cash distributions	$ 18,457,145	$ 14,069,005
Cash distributions per unit	$ 1.000	$ 1.135

8. Loan Payable

The Fund maintains a revolving credit facility with a Canadian chartered bank for up to a maximum amount of $15,000,000 of which no amount was drawn as at December 31, 2002 (2001 - nil). Borrowings are collateralized by a demand debenture in the amount of $55,000,000 which provides a first floating charge over the Fund's assets. The credit facility bears interest at the bank's prime lending rate or at rates slightly below prime if incurred by way of bankers' acceptances. The credit facility is a revolving facility that will revolve until July 1, 2003 and for a further 364 days at the option of the bank.

9. Income Taxes

As all taxable income was allocated to the unitholders in 2002 and 2001, no provision for income taxes has been made in these financial statements.

10. Financial Instruments

The fair values of the Fund's financial instruments which are comprised of cash and term deposits, distributions receivable, note receivable, accounts payable and accrued liabilities and distributions payable approximate their carrying amount due to the short-term maturity of these instruments.

Citadel S-1 Income Trust Fund

Citadel S-1 Income Trust Fund (the "Fund" or "Citadel S-1") is a closed-end investment trust which became listed on October 6, 2000 on the Toronto Stock Exchange under the symbol "SDL.un". The Fund has a termination date of December 31, 2010 or such earlier or later date as the unitholders may determine in accordance with the provisions of the Fund's Declaration of Trust. Citadel S-1's investment objectives are to provide its unitholders with a high level of monthly distributions while maintaining an SR-1 stability rating (formerly S-1) and to maximize the net asset value of the Fund over its life. In order to achieve these objectives, the Fund's investment manager actively manages a diversified portfolio of Canadian income funds, Canadian and U.S. high yielding investment grade debt and income yielding equity securities.

Pursuant to the Fund's distribution policy, Citadel S-1 pays monthly cash distributions targeted at $0.208 per trust unit. The Fund paid total monthly distributions during 2002 of $2.496 per unit, bringing the total distributions paid since inception to $5.242 per unit. For 2002, distributions were split 34.3% other taxable income, 3.2% dividend income, 26.6% capital gains and 35.9% return of capital.

Investment Highlights	2002				2001
	Q4	Q3	Q2	Q1	Q4
Net Asset Value per Unit (1)	$ 25.99	$ 26.86	$ 26.92	$ 26.52	$ 26.28
Market Price per Unit (1)	$ 28.15	$ 29.50	$ 28.85	$ 28.25	$ 29.00
Trading Premium (Discount)	8.3%	9.8%	7.2%	6.5%	10.4%
Quarterly Distributions per Unit	$ 0.624	$ 0.624	$ 0.624	$ 0.624	$ 0.624
Trailing Yield	8.9%	8.5%	8.7%	9.0%	8.8%
Market Capitalization ($ millions)	$ 59.7	$ 61.8	$ 60.4	$ 59.1	$ 60.7

(1) Net asset value and market price per unit are based on quarter end values.

Stock symbol	SDL.un (TSX)
2002 High/Low	$29.85 - $26.00
2002 Distribution	$2.496 per unit
2002 Tax Deferred %	35.9%
2002 Total Return	6.0%

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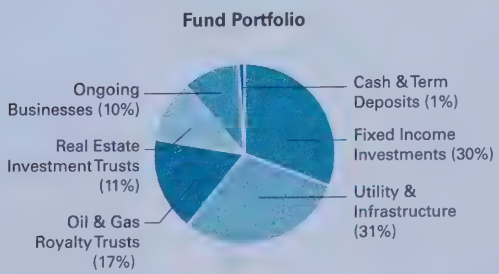
Management's Discussion & Analysis

Financial Results

Citadel S-1's total income for 2002 decreased to $5.2 million from $5.6 million in 2001 due primarily to weaker distributions received from the royalty trusts. Total expenses increased from $0.9 million in 2001 to $1.0 million in 2002 as administrative and investment manager fees rose in relation to the net asset value of the Fund. Net investment income and net investment income per unit decreased from $4.6 million and $2.23 per unit in 2001 to $4.1 million and $1.97 per unit in 2002 respectively. Despite the reduction in net investment income in 2002, the Fund maintained monthly targeted distributions of $0.208 per unit by distributing a portion of its realized capital gains. In 2002, Citadel S-1 paid distributions of $5.2 million or $2.496 per unit compared to $5.3 million or $2.538 per unit in 2001.

Year over year, the Fund's net assets increased marginally, from $55.0 million at December 31, 2001 to $55.1 million at December 31, 2002. With the issuance of the annual administrator and investment manager fee units, the net asset value per unit decreased from $26.28 in 2001 to $25.99 in 2002. The Fund's market price also weakened, dipping from $29.00 at the end of 2001 to $28.15 at the end of 2002. As a result, the Fund generated a 6.0% total return in 2002 versus 21.4% in 2001. Since inception in October 2000, the Fund has generated an impressive 35.2% total return to unitholders, which represents an annualized compound rate of return of 14.4% per year. Over the same period, the S&P/TSX composite index generated a negative 35.9% total return and an annualized compound rate of return of negative 18.0%.

The Fund made a number of dispositions in order to maximize yield while maintaining its SR-1 rating, which resulted in realized capital gains of $1.2 million in 2002. Citadel S-1's portfolio based on market values at December 31, is shown in the chart below.



Trading Premium (Discount) to Net Asset Value

Since inception, Citadel S-1's market price has consistently traded above its initial offering price of $25.00 per unit and its net asset value per unit as can be seen in the following chart. As a result, the Fund has repurchased no units for cancellation since its inception under its mandatory repurchase program. Under this program, Citadel S-1 is obligated to repurchase units offered for sale at a discount to net asset value of greater than 5%.

At December 31, 2002, Citadel S-1's net asset value per unit and market price were $25.99 and $28.15 respectively, a 8.3% premium to net asset value (2001 - 10.4%). The Fund maintained an average premium to net asset value of 8.2% during 2002 compared to 6.1% in 2001.

Stability Rating

Standard & Poor's provides a rating scale to assist investors in understanding the risk profile of an investment in an income fund. Standard & Poor's Stability Ratings characterize the stability of the cash distribution stream of an income fund in terms of variability and sustainability in the medium to longer term. The rating continuum ranges from SR-1 at the highest to SR-7 at the lowest. During 2002, the Fund maintained its SR-1 stability rating and expects to again maintain this rating in 2003.

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Risk Assessment

There are a number of risks associated with the investment business. The principal risks include, but are not limited to, market and income risk. Market risk is the exposure to market price changes in the securities held within the portfolio which have a direct effect on the net asset value of the Fund. Income risk arises from a number of factors related to the operational performance of the issuers of the securities held in the Fund's portfolio. These risks include commodity prices and interest rates which may affect the issuers' income and thus reduce distribution to unitholders. Diversification and active management by the Fund's investment manager of the securities held in the portfolio may reduce these risks.

Outlook for 2003

As the only SR-1 rated fund within the Citadel Group of Funds, Citadel S-1 continues to provide unitholders with highly stable and sustainable monthly distributions of $0.208 per unit and consistently maintain its capital base. The strong Canadian economy and anticipated modestly higher interest rates should provide a favorable economic environment for the Fund in 2003. Based upon the Fund's current portfolio and analysts' estimates of distributions from the portfolio, Citadel S-1's fiscal 2003 distributions are estimated to be $2.50 per unit with approximately 50% of those distributions being tax deferred.

Management's Responsibility Statement

The financial statements of Citadel S-1 Income Trust Fund have been prepared by Citadel S1 Management Ltd. ("CSML") and approved by the Board of Directors of CSML. CSML is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

CSML maintains appropriate procedures to ensure that relevant and reliable financial information is produced. These statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgements. The significant accounting policies applicable to the Fund are described in Note 2 to the financial statements.

The Board of Directors of CSML is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Board carries out this responsibility through the Audit Committee, which is comprised of the non-executive directors of the Board.

CSML, with the approval of its Board of Directors on behalf of the unitholders, has appointed the external audit firm of PricewaterhouseCoopers LLP. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to unitholders their opinion on the financial statements. The auditors have full and unrestricted access to the Audit Committee to discuss their findings.

James T. Bruvall
Chief Executive Officer
Citadel S1 Management Ltd.
April 2, 2003

Darren K. Duncan
Chief Financial Officer
Citadel S1 Management Ltd.

Auditors' Report to Unitholders

To the Unitholders of Citadel S-1 Income Trust Fund

We have audited the statements of net assets and investments of Citadel S-1 Income Trust Fund as at December 31, 2002 and 2001 and the statements of operations and changes in net assets for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of management of the Fund's Administrator. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets and investments of the Fund as at December 31, 2002 and 2001 and the results of its operations and the changes in its net assets for the years ended December 31, 2002 and 2001 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta
April 2, 2003

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Statement of Net Assets

As at December 31,	2002	2001
Assets		
Investments, at market (cost: 2002 - 49,149,785; 2001 - $47,965,358)	$ 54,099,699	$ 53,761,572
Cash and term deposits	426,544	621,912
Accounts receivable	7,504	–
Prepaid expenses (note 4)	592,275	577,450
Distributions receivable	427,034	516,951
	55,553,056	55,477,885
Liabilities		
Accounts payable and accrued liabilities	–	30,079
Distributions payable	441,060	435,450
	441,060	465,529
Net Assets representing Unitholders' Equity	$ 55,111,996	$ 55,012,356
Units outstanding (note 3)	2,120,483	2,093,510
Net asset value per unit	$ 25.99	$ 26.28

see accompanying notes

Signed on behalf of the Board,

Harold P. Milavsky
Chairman of the Board

James T. Bruvall
Director and Chief Executive Officer

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Statement of Operations

Year Ended December 31,	2002	2001
Income		
Interest, dividend and other income	$ 5,152,180	$ 5,550,780
	5,152,180	5,550,780
Expenses		
Administrative and investment manager fees (note 4)	762,210	653,175
General and administration costs	255,896	271,972
	1,018,106	925,147
Net investment income	4,134,074	4,625,633
Net realized gain on sale of investments (note 5)	1,228,584	321,923
Net change in unrealized gain (loss) on investments	(846,301)	4,362,736
Total results of operations	$ 4,516,357	$ 9,310,292
Results of operations per unit [1]		
Net investment income	$ 1.97	$ 2.23
Net realized gain on sale of investments	0.59	0.16
Net change in unrealized gain (loss) on investments	(0.40)	2.11
	$ 2.16	$ 4.50

[1] Based on the weighted average number of units outstanding

Statement of Changes in Net Assets

Year Ended December 31,	2002	2001
Net Assets - beginning of year	$ 55,012,356	$ 50,159,252
Operations:		
Net investment income	4,134,074	4,625,633
Net realized gain on sale of investments	1,228,584	321,923
Net change in unrealized gain (loss) on investments	(846,301)	4,362,736
	4,516,357	9,310,292
Unitholder Transactions:		
Proceeds from issuance of trust units, net	825,515	797,524
Distributions to Unitholders (note 6)	(5,242,232)	(5,254,712)
Net increase in Net Assets	99,640	4,853,104
Net Assets - end of period	$ 55,111,996	$ 55,012,356
Distributions per unit	$ 2.496	$ 2.538

see accompanying notes

Statement of Investments

	As at December 31, 2002			As at December 31, 2001		
	Cost	Market	% of Market	Cost	Market	% of Market
Fixed Income Investments						
Alberta Energy Co. Ltd. 8.50%	$ 500,306	$ 527,350		$ 500,306	$ 526,952	
Brascan Corporation 8.35%	4,190,295	4,464,042		565,000	557,090	
Enbridge Inc. 7.60%	1,000,400	1,063,540		1,000,400	1,045,500	
Magna Int'l Inc. Series A 8.65%	4,489,750	4,725,000		4,489,750	4,752,000	
Shaw Communications Inc. 8.875%	–	–		3,590,035	3,643,200	
Suncor Energy Inc. 9.05%	791,400	805,500		791,400	829,500	
TransAlta Corporation 8.15%	3,620,250	3,714,900		3,620,250	3,900,500	
TransAlta Corporation 7.75%	1,200,000	1,218,720		1,200,000	1,200,000	
	15,792,401	16,519,052	30.3%	15,757,141	16,454,742	30.3%
Oil & Gas Royalty Trusts						
ARC Energy Trust	3,919,117	3,986,500		3,362,494	3,509,000	
Enerplus Resources Fund	3,359,470	3,656,037		2,575,450	2,483,415	
Pengrowth Energy Trust	758,626	589,200		758,626	568,800	
PrimeWest Energy Trust	363,600	317,500		–	–	
Shiningbank Energy Income Fund	623,250	681,750		623,250	628,650	
	9,024,063	9,230,987	16.9%	7,319,820	7,189,865	13.2%
Real Estate Investment Trusts						
Cdn Hotel Income Properties Reit	1,479,496	1,440,000		1,479,496	1,363,200	
Firm Capital Mortgage Investment Trust	1,076,231	1,178,000		720,911	760,000	
Riocan Reit	2,412,845	3,354,430		3,049,693	4,124,200	
	4,968,572	5,972,430	11.0%	5,250,100	6,247,400	11.5%
Income Funds						
Bell Nordiq Income Fund	1,060,000	1,075,000		–	–	
North West Company Fund	–	–		793,474	1,298,400	
Rogers Sugar Income Fund	867,831	846,000		620,146	545,670	
Superior Plus Income Fund	2,508,913	3,444,000		2,508,913	2,964,500	
	4,436,744	5,365,000	9.8%	3,922,533	4,808,570	8.8%
Utility & Infrastructure						
Algonquin Power Income Fund	2,361,227	2,182,480		496,250	520,000	
Boralex Power Income Fund	1,310,000	1,342,750		–	–	
Clean Power Income Fund	996,000	950,000		1,498,800	1,546,500	
Fort Chicago Energy Partners L.P.	–	–		1,014,250	1,063,750	
Inter Pipeline Fund	1,363,327	1,537,500		–	–	
KMS Power Income Fund	–	–		1,404,910	1,415,995	
Koch Pipelines Canada L.P.	–	–		1,690,525	2,123,500	
Northland Power Income Fund	2,543,141	3,300,000		2,543,140	3,480,000	
Pembina Pipeline Income Fund	2,340,000	3,270,000		2,340,000	3,393,000	
TransAlta Power, L.P.	815,236	1,123,200		815,236	1,104,000	
TransCanada Power, L.P.	3,199,074	3,306,300		3,199,074	3,397,250	
Westshore Terminals Income Fund	–	–		713,579	1,017,000	
	14,928,005	17,012,230	31.2%	15,715,764	19,060,995	35.1%
Investments	49,149,785	54,099,699	99.2%	47,965,358	53,761,572	98.9%
Cash and Term Deposits	426,544	426,544	0.8%	621,912	621,912	1.1%
Total	$ 49,576,329	$ 54,526,243	100.0%	$ 48,587,270	$ 54,383,484	100.0%

Notes to Financial Statements

December 31, 2002 and 2001

1. Structure of the Fund

Citadel S-1 Income Trust Fund (the "Fund" or "Citadel S-1") is a closed-end investment trust established under the laws of Alberta pursuant to a Declaration of Trust dated as of August 11, 2000. The Fund commenced operations on October 6, 2000, when it completed an issue of 1,850,000 units at $25.00 per unit through an initial public offering. The term of the Fund continues until December 31, 2010.

2. Significant Accounting Policies

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period.

(a) Cash and Cash Equivalents

Cash consists of cash on hand and short term bankers' acceptances as held by the Fund's custodian.

(b) Valuation of investments

Investments are stated at market values based on closing market quotations. Average cost is used to compute realized and unrealized gains or losses on investments. Investment transactions are recorded on the trade date.

(c) Canadian income taxes

The Fund qualified as a unit trust within the meaning of the Income Tax Act (Canada). Provided the Fund distributes to its unitholders its net income for tax purposes, the Fund will not generally be liable for income tax under Part 1 of the Income Tax Act (Canada).

(d) Dividend, interest and other income

Dividend income is recorded on the ex-dividend date and interest and other income are recognized as earned.

3. Unitholders' Contribution

Authorized

The authorized capital of the Fund consists of an unlimited number of trust units which are transferable non-redeemable units of beneficial interest.

Outstanding	2002		2001	
	Number	Amount	Number	Amount
Trust units - beginning of year	2,093,510	$ 48,864,258	2,062,885	$ 48,066,734
Issued for services (note 4)	26,973	789,700	30,625	769,934
Agents' fees and issue costs	–	35,815	–	27,590
Trust units - end of year	2,120,483	$ 49,689,773	2,093,510	$ 48,864,258

The Fund has a mandatory repurchase program whereby units offered for sale at a discount to the Fund's net asset value per unit of greater than 5% are repurchased for cancellation, subject to a maximum of 1.25% of the total number of units outstanding at the beginning of each calendar quarter. Citadel S-1 repurchased no trust units under this repurchase program during 2002 or 2001.

4. Administrative and Investment Manager Fees

Citadel S1 Management Ltd. ("CSML") is the administrator of the Fund. Bloom Investment Counsel, Inc. is the investment manager of the Fund. Pursuant to the administrative services and investment management agreements, aggregate administration and investment management fees are based upon 1.25% of the average weekly net asset value of the Fund, payable in units in advance and subject to annual adjustment. In October 2002, CSML and Bloom Investment Counsel, Inc. were issued 13,674 units (2001 - 15,563 units) and 11,187 units (2001 - 12,733 units) respectively for the next twelve months of services. Directors of CSML received a total of 2,112 units in 2002 (2001 - 2,329 units) as payment for their annual retainers. During 2002, the Fund recorded an expense of $762,210 (2001 - $653,175) in respect of the administration and investment management fee units earned during the year. The administrative services agreement also provides for the reimbursement of certain expenses incurred by the administrator during the performance of its duties. As at December 31, 2002 included in accounts receivable were amounts owed from CSML of $7,504 and $30,079 in accounts payable in 2001.

5. Investments

The net realized gain on the sale of investments was determined as follows:

	2002	2001
Proceeds from the sale of securities	$ 11,017,381	$ 4,957,371
Less cost of securities sold:		
Investments at cost - beginning of year	47,965,358	39,963,127
Investments purchased during year	10,973,224	12,637,679
Investments at cost - end of year	(49,149,785)	(47,965,358)
Cost of investments disposed of during year	9,788,797	4,635,448
Net realized gain on sale of investments	$ 1,228,584	$ 321,923

6. Cash Distributions

The Fund pays out monthly cash distributions targeted at $0.208 per unit based upon cash distributions received by the Fund less estimated expenses. In 2002, the Fund distributed a portion of its realized capital gains in order to supplement the distribution shortfall derived from net investment income.

	2002	2001
Net investment income for the year	$ 4,134,074	$ 4,625,633
Add fees paid by issuance of units	824,739	715,683
Shortfall (surplus) of cash for distribution in the year	283,419	(86,604)
Cash distributions	$ 5,242,232	$ 5,254,712
Cash distributions per unit	$ 2.496	$ 2.538

7. Income Taxes

As all taxable income was allocated to the unitholders in 2002 and 2001, no provision for income taxes has been made in these financial statements.

8. Financial Instruments

The fair values of the Fund's financial instruments which are comprised of cash and term deposits, accounts receivable, distributions receivable, accounts payable and accrued liabilities and distributions payable approximate their carrying amount due to the short-term maturity of these instruments.

Citadel HYTES Fund

Citadel HYTES Fund (the "Fund" or "Citadel HYTES") is a closed-end investment trust which became listed on the Toronto Stock Exchange upon closing of its initial public offering on April 11, 2001. The Fund has a termination date of December 31, 2006, or such earlier or later date as the unitholders may determine in accordance with the provisions of the Fund's Declaration of Trust.

Citadel HYTES' investment objectives are to provide its unitholders with stable, sustainable and predominantly tax-deferred distributions and to return the invested capital at the end of the Fund's life. In order to achieve these objectives, the Fund's investment manager actively manages a diversified portfolio of oil & gas royalty trusts, real estate investment trusts, income funds, limited partnerships, Canadian high yielding investment grade debt and income yielding equity securities.

Pursuant to the Fund's distribution policy, Citadel HYTES pays monthly cash distributions targeted at $0.26 per trust unit, representing an annualized yield of 12.5% based upon its initial issue price of $25.00 per unit. During 2002, the Fund paid total distributions of $3.12 per unit (2001 - $1.82), which were split for tax purposes 32.0% other taxable income, 6.4% dividend income, 48.4% capital gains and 13.2% return of capital. The Fund's distributions were much more taxable in 2002 relative to 2001 due to substantial capital gains realized in 2002 of $8.2 million.

Investment Highlights	2002				2001
	Q4	Q3	Q2	Q1	Q4
Net Asset Value per Unit (1)	$ 26.83	$ 27.95	$ 27.74	$ 26.84	$ 24.65
Market Price per Unit (1)	$ 26.80	$ 27.30	$ 26.85	$ 26.25	$ 27.00
Trading Premium (Discount)	(0.0%)	(2.3%)	(3.2%)	(2.2%)	9.5%
Quarterly Distributions per Unit	$ 0.78	$ 0.78	$ 0.78	$ 0.78	$ 0.78
Trailing Yield	11.6%	11.4%	11.6%	n/a	n/a
Market Capitalization ($ millions)	$ 149.6	$ 151.9	$ 149.1	$ 145.3	$ 149.0

(1) Net asset value and market price per unit are based on quarter end values.

Stock symbol	CHF.un (TSX)
2002 High/Low	**$28.40 - $24.28**
2002 Distribution	**$3.12 per unit**
2002 Tax Deferred %	**13.2%**
2002 Total Return	**11.6%**

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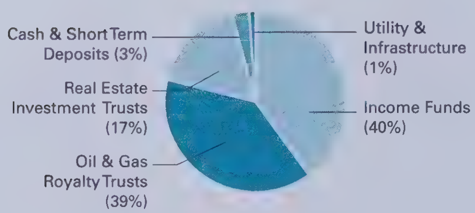
Management's Discussion & Analysis

Financial Results

Citadel HYTES first full year of operation was a very successful one. The Fund was able to grow its capital base and deliver its targeted monthly distribution of $0.26 per month. In accordance with its investment strategy, the Fund maintained leverage of $13.5 million pursuant to its term facility throughout 2002.

Despite a pullback in the 4th quarter of 2002, the net assets grew from $136.0 million at December 31, 2001 to $149.8 million at December 31, 2002, driven by stronger valuations in the royalty trusts and income funds. As a result, the improved valuations lifted the Fund's net asset value per unit from $24.65 at December 31, 2001 to $26.83 at December 31, 2002. Some profit taking occurred in the 2nd and 3rd quarters, as the Fund underweighted Reits and utility & infrastructure funds which generated realized capital gains of $8.2 million in 2002 compared to $0.1 million in 2001. As at December 31, 2002 Citadel HYTES' portfolio based on market values is depicted below.

Fund Portfolio



Total income for 2002 increased by over 60% to $18.9 million compared to $11.7 million for the period from inception to December 31, 2001. Correspondingly, total expenses increased to $3.3 million in 2002 from $1.8 million in 2001, resulting in net investment income of $15.6 million for 2002 (2001 - $9.8 million). Net investment income generated total distributions of $3.12 per unit in 2002 (2001 - $1.82).

Trading Premium (Discount) to Net Asset Value

Despite Citadel HYTES' strengthening net asset value per unit in 2002, its unit price weakened with an average premium to its net asset value of 0.3% in 2002, down from the average premium of 7.4% in 2001. During a period of market price weakness, the Fund repurchased 5,600 units for cancellation under the mandatory repurchase program in 2002 (2001 - no units). Under its mandatory repurchase program, Citadel HYTES is obligated to repurchase units offered for sale at a discount to net asset value of greater than 5%.

At December 31, 2002 Citadel HYTES's net asset value per unit and market price were $26.83 (2001 - $24.65) and $26.80 (2001 - $27.00) respectively, representing a marginal discount to net asset value (2001 - 9.5% premium).

Trading Premium (Discount)

Risk Assessment

There are a number of risks associated with the investment business. The principal risks include, but are not limited to, market and income risk. Market risk is the exposure to market price changes in the securities held within the portfolio which have a direct effect on the net asset value of the Fund. Income risk arises from a number of factors related to the operational performance of the issuers of the securities held in the Fund's portfolio. These risks include commodity prices and interest rates which may affect the issuers' income and thus reduce distribution to unitholders. Diversification and active management by the Fund's investment manager of the securities held in the portfolio may reduce these risks.

Outlook for 2003

The forecasted strong Canadian economy and the low interest rate environment should prove to be favorable for the overall trust sector and Citadel HYTES in particular. With increased emphasis on the business income trusts within its portfolio, the Fund feels that any negative effects of inflation should be offset somewhat by the business trusts' performance. Based upon the Fund's current portfolio and analysts' estimates of distributions from the portfolio, Citadel HYTES's expects to maintain fiscal 2003 distributions at $3.12 per unit.

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Management's Responsibility Statement

The financial statements of Citadel HYTES Fund have been prepared by Citadel TEF Management Ltd. ("CTEF") and approved by the Board of Directors of CTEF. CTEF is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

CTEF maintains appropriate procedures to ensure that relevant and reliable financial information is produced. These statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgements. The significant accounting policies applicable to the Fund are described in Note 2 to the financial statements.

The Board of Directors of CTEF is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Board carries out this responsibility through the Audit Committee, which is comprised of the non-executive directors of the Board.

CTEF, with the approval of its Board of Directors on behalf of the unitholders, has appointed the external audit firm of PricewaterhouseCoopers LLP. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to unitholders their opinion on the financial statements. The auditors have full and unrestricted access to the Audit Committee to discuss their findings.

James T. Bruvall
Chief Executive Officer
Citadel TEF Management Ltd.
April 2, 2003

Darren K. Duncan
Chief Financial Officer
Citadel TEF Management Ltd.

Auditors' Report to Unitholders

To the Unitholders of Citadel HYTES Fund

We have audited the statements of net assets and investments of Citadel HYTES Fund as at December 31, 2002 and 2001 and the statements of operations and changes in net assets for the year ended December 31, 2002 and the period February 27, 2001, the date of the inception of the Fund, to December 31, 2001. These financial statements are the responsibility of management of the Fund's Administrator. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets and investments of the Fund as at December 31, 2002 and 2001 and the results of its operations and the changes in its net assets for the year ended December 31, 2002 and the period February 27, 2001, the date of the inception of the Fund, to December 31, 2001 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta
April 2, 2003

Statement of Net Assets

As at December 31,	2002	2001
Assets		
Investments, at market (cost: 2002 - $147,080,159; 2001- $140,867,631)	$ 158,733,757	$ 146,912,260
Cash and term deposits	4,126,551	2,151,038
Prepaid expenses	326,990	340,400
Distributions receivable	1,706,086	1,705,322
	164,893,384	151,109,020
Liabilities		
Accounts payable and accrued liabilities (note 4)	173,705	170,679
Distributions payable	1,451,351	1,434,598
Loan payable (note 8)	13,500,000	13,500,000
	15,125,056	15,105,277
Net Assets representing Unitholders' Equity	$ 149,768,328	$ 136,003,743
Units outstanding (note 3)	5,582,119	5,517,684
Net asset value per unit	$ 26.83	$ 24.65

see accompanying notes

Signed on behalf of the Board,

Harold P. Milavsky
Chairman of the Board

James T. Bruvall
Director and Chief Executive Officer

Statement of Operations

	Year Ended December 31, 2002	For the Period February 27, 2001 to December 31, 2001
Income		
Interest, dividend and other income	$ 18,942,439	$ 11,657,727
	18,942,439	11,657,727
Expenses		
Administrative and investment manager fees (note 4)	1,885,771	1,136,420
Trailer fee (note 5)	583,726	385,187
General and administration costs	343,350	251,288
Loan interest	491,268	64,955
	3,304,115	1,837,850
Net investment income	15,638,324	9,819,877
Net realized gain on sale of investments (note 6)	8,163,911	134,714
Net change in unrealized gain on investments	5,608,969	6,044,629
Total results of operations	$ 29,411,204	$ 15,999,220
Results of operations per unit (1)		
Net investment income	$ 2.82	$ 1.80
Net realized gain on sale of investments	1.47	0.02
Net change in unrealized gain on investments	1.01	1.11
	$ 5.30	$ 2.93

(1) Based on the weighted average number of units outstanding

Statement of Changes in Net Assets

	Year Ended December 31, 2002	For the Period February 27, 2001 to December 31, 2001
Net Assets - beginning of period	$ 136,003,743	$ –
Operations:		
Net investment income	15,638,324	9,819,877
Net realized gain on sale of investments	8,163,911	134,714
Net change in unrealized gain on investments	5,608,969	6,044,629
	29,411,204	15,999,220
Unitholder Transactions:		
Proceeds from issuance of trust units, net	1,824,907	130,019,165
Repurchase of trust units	(145,750)	–
	1,679,157	130,019,165
Distributions to Unitholders (note 7)	(17,325,776)	(10,014,642)
Net Assets - end of period	$ 149,768,328	$ 136,003,743
Distributions per unit	$ 3.12	$ 1.82

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see accompanying notes

Statement of Investments

	As at December 31, 2002			As at December 31, 2001		
	Cost	% of Market	Market	Cost	Market	% of Market
Real Estate Investment Trusts						
Cdn Hotel Income Properties Reit	$ 2,851,565	$ 2,925,000		$ 3,728,970	$ 3,621,000	
Cominar Reit	–	–		1,127,500	1,320,000	
CPL Long Term Care Reit	–	–		2,140,305	2,130,000	
H & R Reit	2,457,733	2,670,000		3,993,817	4,485,000	
Legacy Hotels Reit	–	–		1,720,000	1,690,000	
InnVest Reit	3,010,470	3,277,500		–	–	
Morguard Reit	4,557,415	4,611,250		4,557,415	4,448,500	
O & Y Reit	4,500,000	4,522,500		4,500,000	4,882,500	
Retirement Residences Reit	2,140,305	2,116,800		–	–	
Riocan Reit	2,078,790	2,593,760		11,843,108	14,374,050	
Royal Host Reit	–	–		2,419,310	2,400,000	
Summit Reit	4,156,200	4,539,000		4,020,000	4,530,000	
	25,752,478	27,255,810	16.8%	40,050,425	43,881,050	29.4%
Oil & Gas Royalty Trusts						
Advantage Energy Income Fund	1,545,070	2,600,000		1,545,070	1,624,000	
APF Energy Trust	2,763,000	2,447,500		2,300,000	1,970,000	
ARC Energy Trust	13,846,278	13,387,500		12,303,828	12,100,000	
Enerplus Resources Fund	10,776,868	11,220,000		10,776,868	9,900,000	
Freehold Royalty Trust	–	–		1,911,152	1,840,000	
NAL Oil & Gas Trust	2,250,000	2,250,000		2,250,000	2,275,000	
Pengrowth Energy Trust	7,805,525	5,744,700		7,805,525	5,545,800	
PrimeWest Energy Trust	8,936,272	6,667,500		8,936,272	6,678,000	
Provident Energy Trust	6,893,370	8,123,775		–	–	
Shiningbank Energy Income Fund	4,657,314	4,545,000		4,657,314	4,191,000	
Viking Energy Royalty Trust	6,273,450	7,211,400		6,273,450	6,423,600	
	65,747,147	64,197,375	39.4%	58,759,479	52,547,400	35.3%
Income Funds						
Advanced Fiber Technologies Income Fund	1,514,500	1,552,500		–	–	
Atlas Cold Storage Income Trust	3,339,228	3,969,000		5,003,898	5,995,000	
Chemtrade Logistics Income Fund	2,400,000	3,360,000		2,700,000	3,172,500	
Connors Brothers Income Fund	2,350,000	3,219,500		2,350,000	2,808,250	
Davis + Henderson Income Fund	6,194,200	7,716,000		2,000,000	2,128,000	
Energy Savings Income Fund	2,000,000	5,360,000		4,050,000	7,472,250	
Halterm Income Fund	3,305,658	3,344,000		3,417,006	3,433,072	
Heating Oil Partners Income Fund	5,400,000	6,388,200		–	–	
KCP Income Fund	3,105,000	3,524,175		–	–	
Livingston International Income Fund	3,059,000	3,478,083		–	–	
Menu Foods Income Fund	477,000	653,490		–	–	
SFK Pulp Fund	4,003,000	4,083,060		–	–	
Sun Gro Horticulture Income Fund	4,500,000	4,702,500		–	–	
Superior Plus Income Fund	8,280,878	10,824,000		10,340,558	11,634,392	
TransForce Income Fund	3,694,100	3,302,960		–	–	
Westshore Terminals Income Fund	–	–		2,456,802	2,754,940	
	53,622,564	65,477,468	40.2%	32,318,264	39,398,404	26.4%
Utility & Infrastructure						
Algonquin Power Income Fund	1,957,970	1,803,104		1,957,970	2,020,720	
Fort Chicago Energy Partners L.P.	–	–		2,708,353	2,895,250	
Koch Pipelines Canada L.P.	–	–		848,668	926,120	
Pembina Pipeline Income Fund	–	–		4,224,472	5,243,316	
	1,957,970	1,803,104	1.1%	9,739,463	11,085,406	7.4%
Investments	147,080,159	158,733,757	97.5%	140,867,631	146,912,260	98.5%
Cash and Term Deposits	4,126,551	4,126,551	2.5%	2,151,038	2,151,038	1.5%
Total	$ 151,206,710	$ 162,860,308	100.0%	$ 143,018,669	$ 149,063,298	100.0%

Notes to Financial Statements

December 31, 2002 and 2001

1. Structure of the Fund

Citadel HYTES Fund (the "Fund" or "Citadel HYTES") is a closed-end investment trust established under the laws of Alberta pursuant to a Declaration of Trust dated as of February 27, 2001. The Fund commenced operations on April 11, 2001, when it completed an issue of 5,000,000 units at $25.00 per unit through an initial public offering. The term of the Fund continues until December 31, 2006.

2. Significant Accounting Policies

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period.

(a) Cash and Cash Equivalents

Cash consists of cash on hand and short term bankers' acceptances as held by the Fund's custodian.

(b) Valuation of investments

Investments are stated at market values based on closing market quotations. Average cost is used to compute realized and unrealized gains or losses on investments. Investment transactions are recorded on the trade date.

(c) Canadian income taxes

The Fund qualified as a unit trust within the meaning of the Income Tax Act (Canada). Provided the Fund distributes to its unitholders its net income for tax purposes, the Fund will not generally be liable for income tax under Part 1 of the Income Tax Act (Canada).

(d) Dividend, interest and other income

Dividend income is recorded on the ex-dividend date and interest and other income are recognized as earned.

3. Unitholders' Contribution

Authorized

The authorized capital of the Fund consists of an unlimited number of trust units which are transferable non-redeemable units of beneficial interest.

Outstanding	2002		2001	
	Number	Amount	Number	Amount
Trust units - beginning of period	5,517,684	$ 130,019,165	–	$ –
Issued for cash:				
Initial public offering	–	–	5,000,000	125,000,000
Over-allotment provision	–	–	472,701	11,817,525
Issued for services (note 4)	70,035	1,824,907	44,983	1,124,575
Agents' fees and issue costs				(7,922,935)
Repurchase of trust units	(5,600)	(145,750)	–	–
Trust units - end of period	5,582,119	$ 131,698,322	5,517,684	$ 130,019,165

The Fund has a mandatory repurchase program whereby units offered for sale at a discount to the Fund's net asset value per unit of greater than 5% are repurchased for cancellation, subject to a maximum of 1.25% of the total number of units outstanding at the beginning of each calendar quarter. During 2002, Citadel HYTES repurchased 5,600 trust units under this program (2001 - no units).

4. Administrative and Investment Manager Fees

Citadel TEF Management Ltd. ("CTEF") is the administrator of the Fund. Bloom Investment Counsel, Inc. is the investment manager of the Fund. Pursuant to the administrative services and investment management agreements, aggregate administration and investment management fees are based upon 1.1% of the aggregate of the average weekly net asset value of the Fund and the amount outstanding under the Fund's term facility, payable in units monthly in arrears. Directors of CTEF received a total of 2,404 units in 2002 (2001 - 2,500 units) as payment for their annual retainers. During 2002, the Fund recorded an expense of $1,885,771

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(2001 - $1,136,420) in respect of the administration and investment management fees during the periods. The administrative services agreement also provides for the reimbursement of certain expenses incurred by the administrator during the performance of its duties. Included in accounts payable were amounts owed to CTEF of $22,989 at December 31, 2002 (2001 - $23,773).

5. Trailer Fee

Citadel HYTES pays a trailer fee to investment dealers calculated and payable quarterly in arrears at an annual rate of 0.40% of the net asset value of the Fund held by unitholders in accounts with investment dealers. During 2002, the Fund recorded an expense of $583,726 (2001 - $385,187) relating to the trailer fee.

6. Investments

The net realized gain on the sale of investments was determined as follows:

	2002	2001
Proceeds from the sale of securities	$ 50,963,301	$ 5,053,703
Less cost of securities sold:		
Investments at cost - beginning of period	140,867,631	–
Investments purchased during the period	49,011,918	145,786,620
Investments at cost - end of period	(147,080,159)	(140,867,631)
Cost of investments disposed of during period	42,799,390	4,918,989
Net realized gain on sale of investments	$ 8,163,911	$ 134,714

7. Cash Distributions

The Fund pays out targeted monthly cash distributions of $0.26 per unit based upon cash distributions received by the Fund less estimated expenses.

	2002	2001
Net investment income for the period	$ 15,638,324	$ 9,819,877
Add fees paid by issuance of units	1,948,274	1,183,295
Surplus cash not distributed in period	(260,822)	(988,530)
Cash distributions	$ 17,325,776	$ 10,014,642
Cash distributions per unit	$ 3.12	$ 1.82

8. Loan Payable

The Fund maintains a credit facility with a Canadian chartered bank for up to a maximum amount of $23.5 million of which $13.5 million relates to a term facility and $10.0 million relates to an operating facility. The term facility was fully drawn as at December 31, 2002 and 2001 and is due and payable on the earlier of December 31, 2006 or termination of the Fund. The operating facility is available until December 31, 2006. Borrowings are collateralized by a general security agreement which provides a first floating charge over the Fund's assets. The term and operating credit facilities bear interest at the bank's prime lending rate or at rates slightly below prime if incurred by way of bankers' acceptances.

CHF.un

9. Income Taxes

As all taxable income was allocated to the unitholders in 2002 and 2001, no provision for income taxes has been made in these financial statements.

10. Financial Instruments

The fair values of the Fund's financial instruments which are comprised of cash and term deposits, distributions receivable, accounts payable and accrued liabilities, distributions payable and loan payable approximate their carrying amount due to the short-term maturity of these instruments.

Citadel SMaRT Fund

Citadel SMaRT Fund (the "Fund" or "Citadel SMaRT") is a mutual fund investment trust which became listed on the Toronto Stock Exchange under the symbol "CRT.un" on September 14, 2001. The Fund has a termination date of December 31, 2013 or such earlier or later date as the unitholders may determine in accordance with the provisions of the Fund's Declaration of Trust. Citadel SMaRT has been structured to provide investors with monthly cash distributions derived from a managed portfolio of royalty trust units, as selected by and actively managed by the Fund's investment manager, combined with capital protection of 70% of the original investment obtained through a forward sale of securities purchased with approximately 34% of the proceeds of the Fund's initial public offering.

Pursuant to the Fund's distribution policy, Citadel SMaRT pays monthly cash distributions targeted at $0.208 per trust unit or $2.496 per unit annually. With weaker distributions from royalty trusts in 2002, the Fund supplemented its monthly distributions from its realized capital gains. The Fund paid total monthly distributions during 2002 of $2.496 per unit (2001 - $0.416), which were split for tax purposes 22.8% other taxable income, 0.2% dividend income, 16.6% capital gains and 60.4% return of capital.

Investment Highlights	2002				2001
	Q4	Q3	Q2	Q1	Q4
Net Asset Value per Unit (1)	$ 26.69	$ 27.93	$ 27.22	$ 26.46	$ 24.65
Market Price per Unit (1)	$ 25.89	$ 26.23	$ 25.05	$ 24.80	$ 23.00
Trading Premium (Discount)	(3.0%)	(6.1%)	(8.0%)	(6.3%)	(6.7%)
Quarterly Distributions per Unit (2)	$ 0.624	$ 0.624	$ 0.624	$ 0.624	$ 0.416
Trailing Yield	9.6%	9.5%	n/a	n/a	n/a
Market Capitalization ($ millions)	$ 156.5	$ 202.2	$ 205.5	$ 212.0	$ 196.7

(1) Net asset value and market price per unit are based on quarter end values.

(2) Only two monthly distributions paid in Q4 2001.

Stock symbol	CRT.un (TSX)
2002 High/Low	$26.55 - $23.00
2002 Distribution	$2.496 per unit
2002 Tax Deferred %	60.4%
2002 Total Return	24.3%

CRT.un

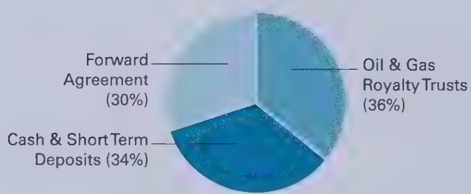
Management's Discussion & Analysis

Financial Results

Over the past year, Citadel SMaRT Fund has experienced strong capital appreciation while maintaining its targeted monthly distribution. The Fund's net asset value per unit grew from $24.65 at December 31, 2001 to $26.69 at December 31, 2002 on the strength of improved royalty trust valuations.

Citadel SMaRT's total investment income for 2002 was $21.1 million compared to $6.9 million for the three and one half months of operation in 2001. After deducting total expenses of $4.7 million (2001 - $1.3 million) this resulted in net investment income of $16.4 million (2001 - $5.6 million). During the year, the Fund disposed of significant holdings of its royalty trust portfolio and its forward securities in order to meet quarterly redemption obligations which resulted in total realized capital gains of $6.0 million. In preparation for the anticipated year end redemption, the Fund intentionally liquidated a portion of its portfolio and repaid its operating facility prior to December 31, 2002. As a result, the Fund's cash balance of $69.8 million at the end of 2002 was high relative to 2001's balance of $12.0 million. Citadel SMaRT's portfolio at December 31, 2002 is as shown below.

Fund Portfolio

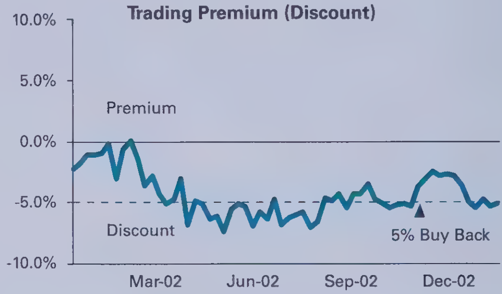


Trading Premium (Discount) to Net Asset Value

Despite the strengthening net asset value per unit in 2002, Citadel SMaRT's market price weakened and commenced trading at a deep discount to its net asset value. As a result of this weakness, the Fund was obligated under its mandatory repurchase program to repurchase 305,745 units for cancellation at an average cost of $25.30 per unit. No units were repurchased in 2001. Under its mandatory repurchase program, Citadel SMaRT is obligated to repurchase units offered for sale at a discount to net asset value of greater than 5%.

As can be seen in the chart below, the unit price weakened as the year progressed with an average trading discount to net asset value of 4.3% in 2002.

Trading Premium (Discount)



Redemptions and Normal Course Issuer Bid

With the widening discount to net asset value, unitholders exercised their right to redeem units commencing on June 30, 2002. In 2002, a total of 2,098,233 units were redeemed at an average cost of $26.68 per unit. In response to the sustained weakness in its market price, Citadel SMaRT implemented a normal course issuer bid commencing on September 5, 2002. Pursuant to the issuer bid, the Fund may repurchase up to 809,843 units over the next twelve months. As at December 31, 2002, the Fund had repurchased for cancellation 99,400 units at an average cost of $26.30 per unit.

On December 10, 2002, the Administrator of Citadel SMaRT Fund proposed certain amendments to the redemption features of the Fund. Subsequently on February 4, 2003, a special meeting was held and unitholders voted in favor of the proposed amendments. The amendments made to the Fund's redemption features are as follows:

- requiring a 20 business day (previously 5 business day) notice of redemption
- changing the date of quarterly redemptions to the last day of January, April, July and October rather than calendar quarters
- changing the redemption price to NAV less $0.80 per unit, and
- imposing a limit on redemptions to 25% of units outstanding in each quarter.

Risk Assessment

There are a number of risks associated with the investment business. The principal risks include, but are not limited to, market and income risk. Market risk is the exposure to market price changes in the securities held within the portfolio which have a direct effect on the net asset value of the Fund. Income risk arises from a number of factors related to the operational performance of the issuers of the securities held in the Fund's portfolio. These risks include commodity prices and interest rates which may affect the issuers' income and thus reduce distribution to unitholders. Diversification and active management by the Fund's investment manager of the securities held in the portfolio may reduce these risks.

Outlook for 2003

The ongoing conflict in Iraq continues to inflate oil prices, however the general consensus indicates that there will be significantly weaker prices in the latter part of 2003. As for natural gas prices, increasing demand and supply constraints are expected to keep prices firm for the balance of 2003. Despite windfall revenues from high commodity prices, many royalty trusts are maintaining a conservative distribution policy to soften the impact of anticipated lower oil prices. With the Fund's current portfolio, the expected capital gains to be realized from the portfolio and analysts' estimates of distributions from the portfolio, Citadel SMaRT expects to maintain its targeted monthly distribution of $0.208 per unit over the first half of 2003 with the possibility of reductions in the second half in the event of a significant drop in royalty trust distributions.

Management's Responsibility Statement

The financial statements of Citadel SMaRT Fund have been prepared by Citadel CPRT Management Ltd. ("CPRT") and approved by the Board of Directors of CPRT. CPRT is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

CPRT maintains appropriate procedures to ensure that relevant and reliable financial information is produced. These statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgements. The significant accounting policies applicable to the Fund are described in Note 2 to the financial statements.

The Board of Directors of CPRT is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Board carries out this responsibility through the Audit Committee, which is comprised of the non-executive directors of the Board.

CPRT, with the approval of its Board of Directors on behalf of the unitholders, has appointed the external audit firm of PricewaterhouseCoopers LLP. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to unitholders their opinion on the financial statements. The auditors have full and unrestricted access to the Audit Committee to discuss their findings.

James T. Bruvall
Chief Executive Officer
Citadel CPRT Management Ltd.
April 2, 2003

Darren K. Duncan
Chief Financial Officer
Citadel CPRT Management Ltd.

Auditors' Report to Unitholders

To the Unitholders of Citadel SMaRT Fund

We have audited the statement of net assets and investments of Citadel SMaRT Fund as at December 31, 2002 and 2001 and the statements of operations and changes in net assets for the year ended December 31, 2002 and the period July 19, 2001, the date of the inception of the Fund, to December 31, 2001. These financial statements are the responsibility of management of the Fund's Administrator. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets and investments of the Fund as at December 31, 2002 and 2001 and the results of its operations and the changes in its net assets for the year ended December 31, 2002 and the period July 19, 2001, the date of the inception of the Fund, to December 31, 2001 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta
April 2, 2003

Statement of Net Assets

As at December 31,	2002	2001
Assets		
Investments, at market (cost: 2002 - $110,328,363; 2001- $192,940,000)	$ 132,865,607	$ 198,939,742
Cash and term deposits	69,849,476	12,043,201
Distributions receivable	1,244,000	2,222,300
	203,959,083	213,205,243
Liabilities		
Accounts payable and accrued liabilities (note 5)	844,267	649,552
Redemptions payable (note 3)	40,450,510	–
Distributions payable	1,257,697	1,778,400
	42,552,474	2,427,952
Net Assets representing Unitholders' Equity	$ 161,406,609	$ 210,777,291
Units outstanding (note 3)	6,046,622	8,550,000
Net asset value per unit	$ 26.69	$ 24.65

see accompanying notes

Signed on behalf of the Board,

Harold P. Milavsky
Chairman of the Board

James T. Bruvall
Director and Chief Executive Officer

Statement of Operations

	Year Ended December 31, 2002	For the Period July 19, 2001 to December 31, 2001
Income		
Interest and other income	$ 21,060,501	$ 6,898,798
	21,060,501	6,898,798
Expenses		
Administrative and investment manager fees (note 5)	2,537,912	697,250
Trailer & service fees (note 6)	1,559,201	416,830
General and administration costs	434,841	178,499
Loan interest	143,510	–
	4,675,464	1,292,579
Net investment income	16,385,037	5,606,219
Net realized gain on sale of investments (note 7)	9,353,090	–
Net realized gain (loss) on forward agreement (note 7)	(3,321,175)	951,146
Net change in unrealized gain on investments	6,330,052	2,306,987
Net change in unrealized gain on forward agreement	10,207,449	3,692,755
Total results of operations	$ 38,954,453	$ 12,557,107
Results of operations per unit (1)		
Net investment income	$ 2.00	$ 0.67
Net realized gain on sale of investments	1.14	–
Net realized gain (loss) on forward agreement	(0.41)	0.11
Net change in unrealized gain on investments	0.77	0.28
Net change in unrealized gain on forward agreement	1.25	0.44
	$ 4.75	$ 1.50

(1) Based on the weighted average number of units outstanding

Statement of Changes in Net Assets

	Year Ended December 31, 2002	For the Period July 19, 2001 to December 31, 2001
Net Assets - beginning of period	$ 210,777,291	$ –
Operations:		
Net investment income	16,385,037	5,606,219
Net realized gain on sale of investments	9,353,090	–
Net realized gain (loss) on forward agreement	(3,321,175)	951,146
Net change in unrealized gain on investments	6,330,052	2,306,987
Net change in unrealized gain on forward agreement	10,207,449	3,692,755
	38,954,453	12,557,107
Unitholder Transactions:		
Proceeds from issuance of trust units, net	35,250	201,776,984
Repurchase of trust units	(67,969,090)	–
	(67,933,840)	201,776,984
Distributions to Unitholders (note 8)	(20,391,295)	(3,556,800)
Net Assets - end of period	$ 161,406,609	$ 210,777,291
Distributions per unit	$ 2.496	$ 0.416

see accompanying notes

Statement of Investments

	As at December 31, 2002			As at December 31, 2001		
	Cost	Market	% of Market	Cost	Market	% of Market
Oil & Gas Royalty Trusts						
Advantage Energy Income Fund	$ 4,501,679	$ 7,800,000		$ 11,104,140	$ 12,017,600	
APF Energy Trust	5,725,811	5,874,000		10,881,650	10,970,765	
ARC Energy Trust	7,976,542	8,330,000		13,370,232	14,466,760	
Enerplus Resources Fund	6,395,574	7,012,500		12,791,148	12,375,000	
NAL Oil & Gas Trust	3,544,509	3,600,000		5,470,950	5,618,340	
Pengrowth Energy Trust	5,026.216	5,155,500		7,898,340	7,821,000	
PrimeWest Energy Trust	6,816,000	6,096,000		12,425,000	11,130,000	
Provident Energy Trust	5,479,838	6,450,000		9,306,078	8,353,800	
Shiningbank Energy Income Fund	6,966,085	8,332,500		15,578,700	17,183,266	
Ultima Energy Trust	4,764,145	5,922,500		2,450,000	2,506,694	
Viking Energy Royalty Trust	6,516,562	7,777,000		17,700,000	18,840,000	
	63,712,961	72,350,000	35.7%	118,976,238	121,283,225	57.5%
Forward Agreement (note 4)	46,615,402	60,515,607	29.9%	73,963,762	77,656,517	36.8%
Investments	110,328,363	132,865,607	65.6%	192,940,000	198,939,742	94.3%
Cash and Term Deposits	69,849,476	69,849,476	34.4%	12,043,201	12,043,201	5.7%
Total	$ 180,177,839	$ 202,715,083	100.0%	$ 204,983,201	$ 210,982,943	100.0%

Notes to Financial Statements

December 31, 2002 and 2001

1. Structure of the Fund

Citadel SMaRT Fund (the "Fund" or "Citadel SMaRT") is an open-end investment trust established under the laws of Alberta pursuant to a Declaration of Trust dated as of July 19, 2001. The Fund commenced operations on September 14, 2001, when it completed an issue of 7,600,000 units at $25.00 per unit through an initial public offering. The term of the Fund continues until December 31, 2013.

2. Significant Accounting Policies

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period.

(a) Cash and Cash Equivalents

Cash consists of cash on hand and short term bankers' acceptances as held by the Fund's custodian.

(b) Valuation of investments

Investments are stated at market values based on closing market quotations. Average cost is used to compute realized and unrealized gains or losses on investments and on the forward agreement. Investment transactions are recorded on the trade date. The Forward Agreement is recorded at its fair value on the valuation date.

(c) Canadian income taxes

The Fund qualified as a unit trust within the meaning of the Income Tax Act (Canada). Provided the Fund distributes to its unitholders its net income for tax purposes, the Fund will not generally be liable for income tax under Part 1 of the Income Tax Act (Canada).

(d) Dividend, interest and other income

Dividend income is recorded on the ex-dividend date and interest and other income are recognized as earned.

3. Unitholders' Contribution

Authorized

The authorized capital of the Fund consists of an unlimited number of trust units which are transferable redeemable units of beneficial interest.

Outstanding	2002		2001	
	Number	Amount	Number	Amount
Trust units - beginning of period	8,550,000	$ 201,776,984	–	$ –
Issued for cash:				
Initial public offering	–	–	7,600,000	190,000,000
Over-allotment provision	–	–	950,000	23,750,000
Agents' fees and issue costs	–	35,250		(11,973,016)
Repurchase of trust units	(2,503,378)	(67,969,090)	–	–
Trust units - end of period	6,046,622	$ 133,843,144	8,550,000	$ 201,776,984

The Fund has a mandatory repurchase program whereby units offered for sale at a discount to the Fund's net asset value per unit of greater than 5% are repurchased for cancellation, subject to a maximum of 1.25% of the total number of units outstanding at the beginning of each calendar quarter. During 2002, Citadel SMaRT repurchased 305,745 trust units (2001 - no units) under this repurchase program.

Unitholders who redeemed relating to the December 31, 2002 valuation date were entitled to receive a redemption price per unit equal to the Fund's net asset value per unit. Unitholders who redeemed relating to any other valuation date were entitled to receive a redemption price per unit equal to the Fund's net asset value per unit less the lessor of (i) 4% of such net asset value per unit and (ii) $1.00 per unit. During 2002, a total of 2,098,233 units were redeemed (2001 - no units) and cancelled. The redemption payable of $40,450,510 reflected units redeemed at December 31, 2002 (2001 - nil). Pursuant to the Fund's normal course issuer bid, the Fund may repurchase up to 809,843 units over next twelve months. As at December 31, 2002, the Fund had repurchased 99,400 units for cancellation.

At a special meeting held on February 4, 2003, unitholders voted in favor of the certain amendments to the Fund's redemption features. Effective February 1, 2003, unitholders who redeem will be entitled to a redemption price per unit equal to the Fund's net asset value per unit less $0.80 per unit.

4. Forward Agreement

The Fund has entered into Forward Agreements with Merrill Lynch Canada Inc. ("ML") and Bank of Montreal ("BMO") pursuant to which ML and BMO will pay the Fund an amount which equals $17.50 for each unit currently outstanding (70% of initial capital) on the termination date in exchange for the Fund delivering to ML and BMO the equity securities in a fixed portfolio. The securities in the fixed portfolio had a cost of $46.6 million at December 31, 2002 and are comprised of common shares of ATI Technologies Inc. (830,947 shares), Biovail Corp. (89,990 shares), Celestica Inc. (45,459 shares), Cognos Inc. (304,865 shares), Cott Corporation (171,003 shares), Inco Ltd. (266,804 shares), Masonite International Corp. (285,024 shares), Precision Drilling Corp. (97,720 shares), Royal Group Technologies (159,381 shares), and Tembec Inc. (310,643 shares).

The securities in the fixed portfolio had a cost of $74.0 million at December 31, 2001 and were comprised of common shares of Biovail Corp. (135,799 shares), Celestica Inc. (224,042 shares), Cognos Inc. (453,058 shares), Cott Corporation (171,003 shares), Inco Ltd. (410,967 shares), Methanex Corp. (1,017,158 shares), Precision Drilling Corp. (97,720 shares), Premdor Inc. (285,024 shares), Royal Group Technologies (159,381 shares), Tembec Inc. (310,643 shares) and Zarlink Semiconductor Inc. (491,699 shares).

Securities in the fixed portfolio have been pledged to ML and BMO as security for the obligations of the Fund under the Forward Agreements. The Forward Agreements are each a direct obligation of ML and BMO, respectively, both companies with credit ratings of Moody's - Aa3. The Forward Agreements may be physically or cash settled at the option of the Fund. The Forward Agreements may be settled in whole or in part in respect of any valuation date by the Fund tendering to ML or BMO securities of the fixed portfolio at a price equal to the current market value of the Forward Agreements.

5. Administrative and Investment Manager Fees

Citadel CPRT Management Ltd. ("CPRT") is the administrator of the Fund. Bloom Investment Counsel, Inc. is the investment manager of the Fund. Pursuant to the administrative services and investment management agreements, the administration and investment management fees are based upon 1.1% of the average daily net asset value of the Fund, payable in cash monthly in arrears. Directors of CPRT are paid a total of $62,500 in cash as payment for their annual retainers. During 2002, the Fund recorded an expense of $2,537,912 (2001 - $697,250) in respect of administration and investment management fees earned during the period. The administrative services agreement also provides for the reimbursement of certain expenses incurred by the administrator during the performance of its duties. As at December 31, 2002, included in accounts payable were amounts owed to CPRT of $122,546 (2001- $101,182).

6. Trailer and Service Fees

Citadel SMaRT pays a trailer fee to investment dealers calculated and payable quarterly in arrears at an annual rate of 0.40% of the net asset value of the Fund held by unitholders in accounts with investment dealers. An annual service fee of approximately 0.43% is payable by the Fund to ML and BMO on the guaranteed value of the Forward Agreements. An additional annual service fee of 0.25% and 0.10% is payable to ML and BMO, respectively, relating to costs incurred by them under the Forward Agreements. During 2002, the Fund recorded an expense of $814,276 (2001 - $205,200) relating to trailer fees and $744,925 (2001 - $211,630) relating to service fees.

7. Investments

The net realized gain on the sale of investments was determined as follows:

	2002	2001
Proceeds from the sale of securities	$ 91,284,868	$ –
Less cost of securities sold:		
Investments at cost - beginning of period	118,976,238	–
Investments purchased during the period	26,668,501	118,976,238
Investments at cost - end of period	(63,712,961)	(118,976,238)
Cost of investments disposed of during period	81,931,778	–
Net realized gain on sale of investments	$ 9,353,090	$ –

CRT.un

The net realized gain (loss) on the sale of forward agreement was determined as follows:

	2002	2001
Proceeds from the sale of securities	$ 35,223,672	$ 30,289,496
Less cost of securities sold:		
Investments at cost - beginning of period	73,963,762	–
Investments purchased during the period	11,196,487	103,302,112
Investments at cost - end of period	(46,615,402)	(73,963,762)
Cost of investments disposed of during period	38,544,847	29,338,350
Net realized gain (loss) on sale of investments	$ (3,321,175)	$ 951,146

8. Cash Distributions

The Fund pays out monthly cash distributions targeted at $0.208 per unit based upon cash distributions received by the Fund less estimated expenses. In 2002, the Fund distributed a portion of its realized capital gains in order to supplement the distribution shortfall derived from net investment income.

	2002	2001
Net investment income for the period	$ 16,385,037	$ 5,606,219
Shortfall (surplus) of cash for distribution in period	4,006,258	(2,049,419)
Cash distributions	$ 20,391,295	$ 3,556,800
Cash distributions per unit	$ 2.496	$ 0.416

9. Loan Payable

The Fund maintains a revolving credit facility with a Canadian chartered bank for up to a maximum amount of $15,000,000 of which no amount was drawn as at December 31, 2002 (2001 - nil). Borrowings are collateralized by a demand debenture in the amount of $50,000,000 which provides a first floating charge over the Fund's assets, excluding the fixed portfolio. The credit facility bears interest at the bank's prime lending rate or at rates slightly below prime if incurred by way of bankers' acceptances. The credit facility is a revolving facility that will revolve until April 30, 2003 and for a further 364 days at the option of the bank.

10. Income Taxes

As all taxable income was allocated to the unitholders in 2002 or 2001, no provision for income taxes has been made in these financial statements.

11. Financial Instruments

The fair values of the Fund's financial instruments which are comprised of cash and term deposits, distributions receivable, accounts payable and accrued liabilities, redemptions payable and distributions payable approximate their carrying amount due to the short-term maturity of these instruments.

MYDAS Fund

MYDAS Fund (the "Fund" or "MYDAS") is a closed-end investment trust which became listed on the Toronto Stock Exchange upon closing of its initial public offering on February 14, 2002. The Fund has a life of approximately 5 years with a termination date of June 30, 2007, or such earlier or later date as the unitholders may determine in accordance with the provisions of the Fund's Declaration of Trust.

MYDAS' investment objective is to maximize total unitholder returns by seeking to provide unitholders with stable, tax effective distributions and to return the invested capital at the end of the Fund's life. In order to achieve these objectives, the Fund's investment manager actively manages by rotating in and out of a diversified portfolio of oil & gas royalty trusts, real estate investment trusts, income funds, limited partnerships, Canadian high yielding investment grade debt and income yielding equity securities.

Pursuant to the Fund's distribution policy, MYDAS pays monthly cash distributions targeted at $0.1875 per trust unit, representing an annualized yield of 9.0% based upon its initial issue price of $25.00 per unit. The Fund commenced distributions with an April 30, 2002 record date and thereafter made monthly distributions at its targeted rate of $0.1875 per unit for a total of $1.6875 per unit in 2002. For tax purposes these distributions were split 22.4% other taxable income, 4.3% dividend income, 7.9% capital gains and 65.4% return of capital.

Investment Highlights	2002			
	Q4	Q3	Q2	Q1
Net Asset Value per Unit (1)	$ 24.57	$ 25.23	$ 24.99	$ 24.27
Market Price per Unit (1)	$ 24.30	$ 24.95	$ 24.40	$ 25.25
Trading Premium (Discount)	(1.1%)	(1.1%)	(2.4%)	4.0%
Quarterly Distributions per Unit (2)	$ 0.5625	$ 0.5625	$ 0.5625	n/a
Market Capitalization ($ millions)	$ 243.3	$ 249.0	$ 242.8	$ 250.5

(1) Net asset value and market price per unit are based on quarter end values.

(2) First monthly distribution had a record date of April 30, 2002 and was paid May 15, 2002

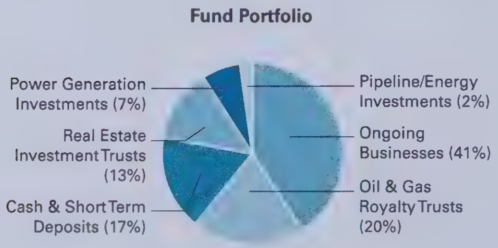
Stock symbol	MYF.un (TSX)
2002 High/Low	$25.70 - $22.10
2002 Distribution	$1.6875 per unit
2002 Tax Deferred %	65.4%
2002 Total Return	4.1%

Management's Discussion & Analysis

Financial Results

Upon closing of the MYDAS Fund's initial public offering on February 14, 2002 and the exercise of an over-allotment option on March 14, 2002, net proceeds after agents' fees and issue costs of $234.0 million were available for investment. With many income trusts trading at relative highs, the proceeds were selectively and patiently deployed with a view to preserving capital over the longer term. The Fund focused its investment activity on both business trusts and royalty trusts which enjoyed the best valuations during the year as the Canadian economy grew and commodity prices increased.

By year end, MYDAS had deployed 83.5% of its initial net proceeds and maintained available cash of $40.6 million for further investment opportunities. The chart below reflects the Fund's portfolio based on market values as at year end.



MYDAS' total income for the ten and one half months of operations from February 14, 2002 to December 31, 2002, was $19.1 million. After total expenses of $3.6 million, this resulted in net investment income of $15.5 million for 2002. Although not fully invested during 2002, the Fund still generated sufficient cash flow to fund its targeted monthly distributions of $0.1875 per unit.

Trading Premium (Discount) to Net Asset Value

MYDAS' market price traded slightly above its net asset value during the year with an average premium of 0.7%. During 2002, the Fund repurchased 3,400 units for cancellation under its mandatory repurchase program when its market price temporarily dipped below the repurchase threshold. Under its mandatory repurchase program, MYDAS is obligated to repurchase units offered for sale at a discount to net asset value of greater than 5%.

At December 31, 2002 MYDAS' net asset value per unit and market price were $24.57 and $24.30 respectively, representing a 1.1% discount to net asset value. This performance is illustrated in the following chart.

Risk Assessment

There are a number of risks associated with the investment business. The principal risks include, but are not limited to, market and income risk. Market risk is the exposure to market price changes in the securities held within the portfolio which have a direct effect on the net asset value of the Fund. Income risk arises from a number of factors related to the operational performance of the issuers of the securities held in the Fund's portfolio. These risks include commodity prices and interest rates which may affect the issuers' income and thus reduce distribution to unitholders. Diversification and active management by the Fund's investment manager of the securities held in the portfolio may reduce these risks.

Outlook for 2003

A strong Canadian economy and a low interest rate environment provide the key fundamentals for the income trust sector. Although interest rates are expected to modestly rise throughout 2003, MYDAS' business trust weighted portfolio should benefit from the growing Canadian economy, thus mitigating any negative impact of rate increases. Based upon the Fund's current portfolio and analysts' estimates of distributions from the portfolio, MYDAS' fiscal 2003 distributions are estimated to be $2.25 per unit.

Management's Responsibility Statement

The financial statements of MYDAS Fund have been prepared by MYDAS Management Inc. ("MMI") and approved by the Board of Directors of MMI. MMI is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

MMI maintains appropriate procedures to ensure that relevant and reliable financial information is produced. These statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgements. The significant accounting policies applicable to the Fund are described in Note 2 to the financial statements.

The Board of Directors of MMI is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Board carries out this responsibility through the Audit Committee, which is comprised of the non-executive directors of the Board.

MMI, with the approval of its Board of Directors on behalf of the unitholders, has appointed the external audit firm of PricewaterhouseCoopers LLP. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to unitholders their opinion on the financial statements. The auditors have full and unrestricted access to the Audit Committee to discuss their findings.

James T. Bruvall
Chief Executive Officer
MYDAS Management Inc.
April 2, 2003

Darren K. Duncan
Chief Financial Officer
MYDAS Management Inc.

Auditors' Report to Unitholders

To the Unitholders of MYDAS Fund

We have audited the statements of net assets and investments of MYDAS Fund as at December 31, 2002, and the statements of operations and changes in net assets for the period December 18, 2001, the date of the inception of the Fund, to December 31, 2002. These financial statements are the responsibility of management of the Fund's Administrator. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets and investments of the Fund as at December 31, 2002 and the results of its operations and the changes in its net assets for the period December 18, 2001, the date of the inception of the Fund, to December 31, 2002 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta
April 2, 2003

Statement of Net Assets

As at December 31,	2002
Assets	
Investments, at market (cost: 2002 - $195,624,472)	$ 204,985,702
Cash and term deposits	40,636,493
Accounts receivable	363,825
Prepaid expenses	5,278
Distributions receivable	2,188,562
	248,179,860
Liabilities	
Accounts payable and accrued liabilities (note 4)	279,962
Distributions payable	1,877,259
	2,157,221
Net Assets representing Unitholders' Equity	$ 246,022,639
Units outstanding (note 3)	10,012,046
Net asset value per unit	$ 24.57

see accompanying notes

Signed on behalf of the Board,

Harold P. Milavsky
Chairman of the Board

James T. Bruvall
Director and Chief Executive Officer

Statement of Operations

	For the Period December 18, 2001 to December 31, 2002
Income	
Interest, dividend and other income	$ 19,141,811
	19,141,811
Expenses	
Administrative and investment manager fees (note 4)	2,488,713
Trailer fee (note 5)	728,598
General and administration costs	363,625
	3,580,936
Net investment income	15,560,875
Net realized gain on sale of investments (note 6)	1,269,397
Net change in unrealized gain on investments	9,361,230
Total results of operations	$ 26,191,502
Results of operations per unit (1)	
Net investment income	$ 1.57
Net realized gain on sale of investments	0.13
Net change in unrealized gain on investments	0.95
	$ 2.65

(1) Based on the weighted average number of units outstanding

Statement of Changes in Net Assets

	For the Period December 18, 2001 to December 31, 2002
Net Assets - beginning of period	$ –
Operations:	
Net investment income	15,560,875
Net realized gain on sale of investments	1,269,397
Net change in unrealized gain on investments	9,361,230
	26,191,502
Unitholder Transactions:	
Proceeds from issuance of trust units, net	236,733,948
Repurchase of trust units	(77,306)
	236,656,642
Distributions to Unitholders (note 7)	(16,825,505)
Net Assets - end of period	$ 246,022,639
Distributions per unit	$ 1.6875

see accompanying notes

Statement of Investments

	As at December 31, 2002		
	Cost	Market	% of Market
Ongoing Business Trusts			
Advanced Fiber Technologies Income Fund	$ 4,250,000	$ 4,398,750	
Artic Glacier Income Fund	4,370,000	4,002,000	
Atlas Cold Storage Income Trust	5,013,765	4,883,625	
CCS Income Trust	2,570,940	3,296,160	
Chemtrade Logistics Income Fund	3,441,335	3,553,200	
Consumers' Water Heater Income Fund	523,200	551,775	
Davis + Henderson Income Fund	14,671,874	17,920,410	
Energy Savings Income Fund	3,833,040	4,020,000	
Heating Oil Partners Income Fund	13,500,000	15,970,500	
KCP Income Fund	4,475,000	5,079,125	
Livingston International Income Fund	3,633,250	3,979,500	
Menu Foods Income Fund	905,564	1,235,740	
PRT Forest Regeneration Income Fund	2,456,670	2,552,550	
Rogers Sugar Income Fund	3,551,744	3,548,500	
SFK Pulp Fund	5,404,000	5,512,080	
Sun Gro Horticulture Income Fund	9,642,000	10,075,890	
Swiss Water Decaffeinated Coffee Income Fund	3,850,000	4,312,000	
TransForce Income Fund	4,494,500	4,256,000	
	90,586,882	99,147,805	40.4%
Real Estate Investment Trusts			
Firm Capital Mortgage Investment Trust	2,643,280	2,812,000	
Morguard Reit	3,015,886	2,943,550	
Northern Property Reit	3,000,000	3,570,000	
O & Y Reit	10,633,000	9,849,000	
Royal Host Reit	5,369,700	4,956,000	
Summit Reit	7,488,000	7,867,600	
	32,149,866	31,998,150	13.0%
Oil & Gas Royalty Trusts			
Acclaim Energy Trust	9,127,718	8,929,222	
ARC Energy Trust	12,099,100	11,900,000	
Enerplus Resources Fund	5,067,035	5,610,000	
NAL Oil & Gas Trust	562,548	540,000	
Pengrowth Energy Trust	1,468,100	1,473,000	
PrimeWest Energy Trust	1,286,000	1,270,000	
Provident Energy Trust	9,046,388	10,435,025	
Shiningbank Energy Income Fund	2,840,000	3,030,000	
Ultima Energy Trust	3,571,299	3,708,000	
Viking Energy Royalty Trust	3,134,800	3,181,500	
	48,202,988	50,076,747	20.4%
Power Generation Investments			
Algonquin Power Income Fund	3,426,884	3,248,000	
Boralex Power Income Fund	7,500,000	7,687,500	
Clean Power Income Fund	7,545,722	6,887,500	
	18,472,606	17,823,000	7.3%
Pipeline/Energy Investments			
Inter Pipeline Fund	4,515,000	4,305,000	
Pembina Pipeline Income Fund	1,697,130	1,635,000	
	6,212,130	5,940,000	2.4%
Investments	195,624,472	204,985,702	83.5%
Cash and Term Deposits	40,636,493	40,636,493	16.5%
Total	$ 236,260,965	$ 245,622,195	100.0%

Notes to Financial Statements

December 31, 2002 and 2001

1. Structure of the Fund

MYDAS Fund (the "Fund" or "MYDAS") is a closed-end investment trust established under the laws of Alberta pursuant to a Declaration of Trust dated as of December 18, 2001 and amended February 14, 2002. The Fund commenced operations on February 14, 2002, when it completed an issue of 9,000,000 units at $25.00 per unit through an initial public offering. The term of the Fund continues until June 30, 2007.

2. Significant Accounting Policies

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period.

(a) Cash and Cash Equivalents

Cash consists of cash on hand and short term bankers' acceptances as held by the Fund's custodian.

(b) Valuation of investments

Investments are stated at market values based on closing market quotations. Average cost is used to compute realized and unrealized gains or losses on investments. Investment transactions are recorded on the trade date.

(c) Canadian income taxes

The Fund qualified as a unit trust within the meaning of the Income Tax Act (Canada). Provided the Fund distributes to its unitholders its net income for tax purposes, the Fund will not generally be liable for income tax under Part 1 of the Income Tax Act (Canada).

(d) Dividend, interest and other income

Dividend income is recorded on the ex-dividend date and interest and other income are recognized as earned.

3. Unitholders' Contribution

Authorized

The authorized capital of the Fund consists of an unlimited number of trust units which are transferable non-redeemable units of beneficial interest.

Outstanding	2002	
	Number	Amount
Trust units - beginning of period	–	$ –
Issued for cash:		
Initial public offering	9,000,000	225,000,000
Over-allotment provision	905,631	22,640,775
Issued for services (note 4)	95,536	2,388,400
Agents' fees and issue costs	–	(13,645,929)
Issued under DRIP	14,279	350,702
Repurchase of trust units	(3,400)	(77,306)
Trust units - end of period	10,012,046	$ 236,656,642

The Fund has a mandatory repurchase program whereby units offered for sale at a discount to the Fund's net asset value per unit of greater than 5% are repurchased for cancellation, subject to a maximum of 1.25% of the total number of units outstanding at the beginning of each calendar quarter. During 2002, MYDAS repurchased 3,400 trust units under this program.

Unitholders of MYDAS can acquire additional units by participating in the Distribution Reinvestment Plan ("DRIP"). The DRIP enables unitholders to reinvest their monthly distributions in additional units of MYDAS at net asset value. In 2002, 14,279 units were issued under the DRIP.

4. Administrative and Investment Manager Fees

MYDAS Management Inc. ("MMI") is the administrator of the Fund. Bloom Investment Counsel, Inc. is the investment manager of the Fund. Pursuant to the administrative services and investment management agreements, aggregate administration and investment management fees are based upon 1.1% of the aggregate of the average weekly net asset value of the Fund and the amount outstanding under the Fund's term facility, payable in units monthly in arrears. Directors of MMI received a total of 2,500 units in 2002 as payment for their annual retainers. During 2002, the Fund recorded an expense of $2,488,713 in respect of the administration and investment management fees during the period. The administrative services agreement also provides for the reimbursement of certain expenses incurred by the administrator during the performance of its duties. As at December 31, 2002, included in accounts payable were amounts owed to MMI of $39,673.

5. Trailer Fee

MYDAS pays a trailer fee to investment dealers calculated and payable quarterly in arrears at an annual rate of 0.40% of the net asset value of the Fund held by unitholders in accounts with investment dealers. During 2002, the Fund recorded an expense of $728,598 relating to the trailer fee.

6. Investments

The net realized gain on the sale of investments was determined as follows:

	2002
Proceeds from the sale of securities	$ 30,050,026
Less cost of securities sold:	
Investments at cost - beginning of period	–
Investments purchased during the period	224,405,101
Investments at cost - end of period	(195,624,472)
Cost of investments disposed of during period	28,780,629
Net realized gain on sale of investments	$ 1,269,397

7. Cash Distributions

The Fund pays out monthly cash distributions targeted at $0.1875 per unit based upon cash distributions received by the Fund less estimated expenses.

	2002
Net investment income for the period	$ 15,560,875
Add fees paid by issuance of units	2,546,005
Surplus cash not distributed in period	(1,281,375)
Cash distributions	$ 16,825,505
Cash distributions per unit	$ 1.6875

8. Income Taxes

As all taxable income was allocated to the unitholders in 2002, no provision for income taxes has been made in these financial statements.

9. Financial Instruments

The fair values of the Fund's financial instruments which are comprised of cash and term deposits, accounts receivable, distributions receivable, accounts payable and accrued liabilities and distributions payable approximate their carrying amount due to the short-term maturity of these instruments.

Citadel Multi-Sector Income Fund

Citadel Multi-Sector Income Fund (the "Fund" or "Citadel Multi-Sector") is a closed-end investment trust which became listed on the Toronto Stock Exchange under the symbol "CMS.un" on February 14, 2003. The Fund has a termination date of December 31, 2008. Citadel Multi-Sector has been structured to provide investors with monthly cash distributions derived from a diversified portfolio of income producing investments consisting, in varying amounts, of publicly traded units of Canadian income funds and Canadian high yielding investment grade debt as selected by and actively managed by the Fund's Investment Manager.

The Fund's initial public offering and the exercise of an over-allotment option on March 14, 2003 generated gross proceeds of $276.2 million, which included $70.6 million of units of 59 selected Canadian income funds under the offering's exchange option. The Fund's Investment Manager expects to take two to three months in order to prudently deploy the proceeds. As at April 24, 2003, Citadel Multi-Sector was over 60% invested and its net asset value was $9.46 per unit.

Pursuant to the Fund's distribution policy, Citadel Multi-Sector will pay monthly cash distributions targeted at $0.0833 per trust unit, representing an annualized yield of 10.0% based upon the issue price of $10.00 per unit. The first distribution of $0.0833 per unit is set for the April 30, 2003 record date and payable May 15, 2003.

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Stock Exchange Listings

The Toronto Stock Exchange
Citadel Diversified Investment Trust units: **CTD.un**
Citadel S-1 Income Trust Fund units: **SDL.un**
Citadel HYTES Fund units: **CHF.un**
Citadel SMaRT Fund units: **CRT.un**
MYDAS Fund units: **MYF.un**
Citadel Multi-Sector Income Fund: **CMS.un**

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